

**IMPORTANT**

If you are in doubt about the contents of this Amended and Restated Explanatory Memorandum,  
you should seek independent professional financial advice.

**CASH Prime Value Equity OFC**

**時富優越價值股票開放式基金型公司**

A Hong Kong open-ended fund company authorized under  
section 104 of the Securities and Futures Ordinance (Cap. 571)

**AMENDED AND RESTATED  
EXPLANATORY MEMORANDUM**

Manager: CASH Wealth Management Limited

May 2024

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## IMPORTANT NOTICES

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Please refer to the section titled “Interpretation” for the meaning of capitalized terms used in this Amended and Restated Explanatory Memorandum.

### Hong Kong Public Offer

This EM relates to the offer in Hong Kong of Shares, a public open-ended fund company incorporated on 4 January 2022 with variable capital with limited liability and incorporated under Part IVA of the SFO. Shares of different Classes may be established to accommodate different subscription and/or redemption provisions, dividends, charges and/or fee arrangements, including different ongoing charges.

The Company to which this EM relates is authorized by the Commission in Hong Kong pursuant to section 104 of the SFO. The Commission’s registration and authorization do not represent recommendation or endorsement of the Company nor does it guarantee the commercial merits of the Company or its performance. It does not mean the Company is suitable for all investors nor does it represent an endorsement of its suitability for any particular investor or class of investors.

No securities commission of any jurisdiction, including the Commission has passed upon the value of these securities, made any recommendations as to their purchase or passed upon the adequacy or accuracy of this EM. In particular, the Commission takes no responsibility for the contents of the Offering Documents, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss, howsoever, arising from or in reliance upon the whole or any part of the contents of the Offering Documents.

### Reliance on the Offering Documents

Shares described in these Offering Documents are offered only on the basis of the information contained in those documents and the latest annual report and any subsequent interim report of the Company.

No representation or warranties of any kind are intended or should be inferred with respect to the economic return from, or the tax consequences of, an investment in the Company. Neither the delivery of this EM nor the issue of Shares will under any circumstances create any implication or constitute any representation that the affairs of the Company have not changed since the date of issue of this EM. This EM has been prepared on the basis of Applicable Law. The Applicable Law may be altered in the future. Unless otherwise indicated in this EM, the opinions expressed in this EM are those of the Directors.

The Directors accept full responsibility for the accuracy of the information contained in these Offering Documents and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading. The Directors confirm that this EM includes particulars given in compliance with the UT Code, OFC Code and the “Overarching Principles” of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (“**Product Handbook**”) for the purposes of giving information with regard to Shares.

Potential investors should not treat the contents of these Offering Documents as advice relating to legal, taxation, investment or any matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares. The Directors and/or the Manager make no representation or warranties in respect of suitability.

**There can be no assurance that the Company will achieve its investment objective. The value of the Shares may fall, as well as, rise and investors may not get back the amount invested or any return on an investment in the Company. Prospective investors should read this EM carefully**

**before deciding whether to purchase Shares and should pay particular attention to the information set forth in the section titled “Risk Factors” and “Conflicts of Interest”. Prospective investors should understand the risks and have the financial ability and willingness to accept these risks.**

### **Instrument of Incorporation**

The provisions of the IOI are binding on the holder of Management Shares and each Shareholder (who are taken to have notice of them).

### **Distribution of Shares**

No person has been authorised to give any information or make any representations concerning the Company or in connection with the offering of Shares other than those contained in this EM, and, if given or made, such information or representations must not be relied on as having been authorised by the Company. The delivery of this EM (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date of this EM. No action has been taken to permit an offering of Shares in the Company or the distribution of this EM in any jurisdiction other than Hong Kong. This EM does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Distribution of this EM shall not be permitted unless it is accompanied by the PKFS and a copy of the most recent annual report of the Company and, if later, its most recent interim report (if any).

The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (“**1933 Act**”) or the securities laws of any of the states of the United States. The Shares may not be offered or sold directly or indirectly in the United States or to or for the account or benefit of any US Person. Any re-offer or resale of any of the Shares in the United States or to US Persons may constitute a violation of US law. Each applicant for Shares will be required to certify to the Directors and/or the Manager that it is not a US Person.

The Shares are not open for investment by any US Person. A prospective investor will be required at the time of acquiring Shares to represent that such investor meets any qualification criteria established by the Directors, and is not a US Person or acquiring Shares for or on behalf of a US Person. The prior consent of the Directors is required in respect of each application for Shares and the granting of such consent does not confer on investors a right to acquire Shares in respect of any future or subsequent application. The Manager may, in its sole discretion, redeem Shares of any investor who is a US Person and has not otherwise been approved by the Directors to own Shares.

Where the Manager becomes aware that any Shares are directly or beneficially owned by any person in breach of the above restrictions, the Manager may direct the Shareholder to transfer his/her Shares to a person qualified to own such Shares or to request the Shareholder to redeem Shares, in default of which, the Shareholder shall, on the expiration of such time period specified in such notice, be deemed to have given a request in writing for the redemption of the Shares. The Manager may impose such restrictions as it believes necessary to ensure that no Shares are acquired by persons who are not Eligible Investors. See the “**Company Structure – Eligible Investor**” section of this EM.

### **Website**

Investors should note that the website referred to in these Offering Documents have not been reviewed by the Commission. Any information provided in the website may be updated and changed periodically without any notice to any person.

## **Forward-Looking Statements**

Statements contained in this EM regarding the Company's prospects, developments and strategies are forward-looking statements which are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will", or the negative of those, variations or comparable expressions, including references to assumptions. The forward-looking statements in this EM are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

## **Enquiries and Complaints**

Any person who has an enquiry or complaint to make about the operation of the Company may submit his/her complaint directly to the Manager in writing to the Manager's address, or by calling the Manager during normal business hours, as set out below. The Manager will respond to any enquiry or complaint in writing as soon as practicable and within one month under normal circumstances.

CASH Wealth Management Limited

**Address:** 22/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong  
**Phone:** 2287 8788

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## DIRECTORY

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**Company address**

22/F  
Manhattan Place  
23 Wang Tai Road  
Kowloon Bay  
Kowloon  
Hong Kong

**Directors of the Company**

Dr. Kwan Pak Hoo Bankee  
Mr. Kwan Teng Hin Jeffrey

**Manager**

CASH Wealth Management Limited  
22/F  
Manhattan Place  
23 Wang Tai Road  
Kowloon Bay  
Kowloon  
Hong Kong

**Custodian, Administrator and Registrar**

BOCI Prudential Trustee Limited  
Suites 1501-1507 & 1513 – 1516  
15/F, 1111 King's Road  
Taikoo Shing  
Hong Kong

**Auditor**

Deloitte Touche Tohmatsu Limited  
35/F One Pacific Place  
88 Queensway  
Hong Kong

**Legal Adviser to the Manager  
as to Matters of Hong Kong Law**

WBY Lawyers  
Suite 2006, 20/F, Tower 1  
Admiralty Centre, 18 Harcourt Road  
Admiralty  
Hong Kong

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## INTERPRETATION

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| <b>“A shares”</b>                 | shares stocks of Mainland China based companies traded on the SSE and SZSE available for purchase by foreign institutions through specified schemes, including Stock Connect;  |
| <b>“Administration Agreement”</b> | the administration services agreement between the Company and the Administrator (as amended);  |
| <b>“Administrator”</b>            | BOCI-Prudential Trustee Limited, or any other person that may be appointed as the administrator of the Company;  |
| <b>“Annual Reports”</b>           | the annual reports of the Company for each Financial Year from 2022;   |
| <b>“Applicable Law”</b>           | any statute, law, regulation, rule of self-regulatory organisation or interpretation or exchange rule or procedure, ordinance, rule, judgment, order decree, permit, concession, grant, franchise, code, license, directive, guideline, policy or rule of common law, requirement of, or other governmental restriction or any judicial or administrative order, consent decree or judgment or similar form of decision of or determination by, or any interpretation or administration of any of the foregoing by, any governmental authority or other competent authorities or self-regulatory or industry bodies or associations, whether now or hereafter in effect, binding upon the Company, the Directors, the Manager, the connected persons, an Investment or a Shareholder, as the case may require; |
| <b>“Auditors”</b>                 | Deloitte Touche Tohmatsu, or any other person that may be appointed as the auditor of the Company;   |
| <b>“Base Currency”</b>            | the performance of the Company will be reported, fees will be calculated and all subscriptions and redemptions will be transacted in HK Dollars;   |
| <b>“Business Day”</b>             | means a day (other than Saturday, Sunday and public holiday) on which banks in Hong Kong are authorised to open for normal banking business and/or such other day or days as the Directors may determine, either generally or in any particular case, provided that where, as a result of a Number 8 or higher Typhoon Signal, Black Rainstorm Warning, or any warning or signal considered by the Manager of similar effect is in force in Hong Kong, the period during which banks in Hong Kong are open on any day are reduced, such day shall not be a Business Day;   |
| <b>“Class”</b>                    | a class of Shares and/or Management Shares that may be issued by the Company. <b>“Classes”</b> shall be construed accordingly to refer to Shares as described in this EM and the holder of Management Shares will be regarded as a distinct Class;   |
| <b>“Closing Date”</b>             | 31 August 2022, in relation to the initial offer of Class A Shares and Class I Shares of the Company. The Directors will determine and disclose the closing date for subsequent classes of Shares in an addendum to this EM;   |
| <b>“Commission”</b>               | the Securities and Futures Commission of Hong Kong;  |
| <b>“Company”</b>                  | CASH Prime Value Equity OFC;   |

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| <b>“connected person”</b>  | in relation to a company means: <ul style="list-style-type: none"> <li>(a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company;</li> <li>(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a);</li> <li>(c) any member of the group of which that company forms part; or</li> <li>(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c);</li> </ul> |
| <b>“COVID-19”</b>          | a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2;   |
| <b>“CSDCC”</b>             | China Securities Depository and Clearing Corporation;  |
| <b>“Custodian”</b>         | BOCI-Prudential Trustee Limited as the custodian of the Company to whom the Scheme Property is entrusted for safe keeping subject to and in accordance with Applicable Law;  |
| <b>“Daily Quota”</b>       | the maximum net buy value of cross boundary trades under the Stock Connect each day;   |
| <b>“Dealing Day”</b>       | each Business Day or such other day on which the Manager may determine to either generally or in respect of a particular Class or Classes of Shares as specified in this EM;   |
| <b>“Dealing Deadline”</b>  | in relation to any Dealing Day, such time by which an application for subscription or redemption request in respect of a Class of Shares must be received either on such Dealing Day or on such other Business Day or day as the Directors may from time to time determine either generally or in relation to any particular jurisdiction in which Shares of the relevant Class may from time to time be sold and specified in the Offering Documents;   |
| <b>“Directors”</b>         | the directors of the Company for the time being or the directors of the Company present at a meeting of directors at which a quorum is present and includes any committee of the Directors duly constituted for the purposes relevant in the context in which any reference to the Directors appears or the members of such committee present at a meeting of such committee at which a quorum is present, and <b>“Director”</b> shall be construed accordingly;   |
| <b>“Eligible Investor”</b> | has the meaning ascribed to that term in the section headed <b>“Company Structure – Eligible Investors”</b>  |
| <b>“EM”</b>                | this Amended and Restated Explanatory Memorandum issued in connection with the offer of Shares, as modified or supplemented;   |
| <b>“Fair Value”</b>        | the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on a Dealing Day;  |
| <b>“FATCA”</b>             | sections 1471 through 1474 of the US IRC, the United States Treasury Regulations promulgated under the US IRC or other official guidance or  |

interpretations issued thereof or any agreements entered into thereunder, any intergovernmental agreement between the United States and another jurisdiction for the implementation of the foregoing, and any non-U.S. law relating to the foregoing;

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| <b>“FDI”</b>                                | financial derivative instruments, such as warrants and stock options;  |
| <b>“Financial Year”</b>                     | a financial year of the Company being a period of 12 months from 1 January to 31 December, or as otherwise determined by the Directors;  |
| <b>“Government and Public Securities”</b>   | any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies;   |
| <b>“H Shares”</b>                           | Shares of Mainland Chinese companies listed on the Hong Kong Stock Exchange;   |
| <b>“HKSCC”</b>                              | Hong Kong Securities Clearing Company Limited;   |
| <b>“Hong Kong”</b>                          | the Hong Kong Special Administrative Region of the People’s Republic of China;   |
| <b>“Hong Kong Stock Exchange” or “HKEX”</b> | the Stock Exchange of Hong Kong, a stock exchange in the city of Hong Kong;  |
| <b>“HK\$”, “HKD” or “HK dollars”</b>        | the lawful currency of Hong Kong;  |
| <b>“HKFRS”</b>                              | all Hong Kong financial reporting standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants;   |
| <b>“IMA”</b>                                | the investment management agreement between the Company and the Manager entered into on March 1, 2022, as amended or supplemented;   |
| <b>“IOI”</b>                                | the instrument of incorporation of the Company, as amended;  |
| <b>“IPO”</b>                                | initial public offering;   |
| <b>“Initial Offer Period”</b>               | the period during which Shares of a Class are first offered for subscription and disclosed in the EM (for Class A Shares and Class I Shares) and the addendum to the EM referable to new Classes issued hereafter. The Initial Offer Period may be extended or shortened by the Directors; |
| <b>“Investments”</b>                        | the cash, investments and other assets comprising the assets of the Company;   |
| <b>“Investment Program”</b>                 | means the investment program (including the investment objective and strategy) of the Company as set out in this EM, as amended;   |
| <b>“Investment Restrictions”</b>            | has the meaning ascribed to that term in the section titled <b>“Investment Program”</b> ;  |
| <b>“IRD”</b>                                | the Hong Kong Inland Revenue Department;   |

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| “IRS”  | the Internal Revenue Service of the United States;   |
| “Mainland China”                               | all the custom territories of the People’s Republic of China;  |
| “Management Fee”                               | the fees payable to the Manager by the Company pursuant to the IMA, as described in the section titled “ <b>Fees and Expenses</b> ”;   |
| “Management Share”                             | a voting and non-redeemable share in the share capital of the Company of HKD100 each held by the Manager that is not subject to the payment of management fees and/or performance fees and is not offered for subscription;  |
| “Manager”                                      | CASH Wealth Management Limited, a company incorporated in Hong Kong with limited liability and licensed with the Commission to conduct Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities (CE No. AHQ356) or any other person for the time being duly appointed by the Company as manager in succession and to whom all the investment management functions of the Company are delegated subject to and in accordance with the Applicable Law; |
| “Net Asset Value” or “NAV”                     | the net asset value of the Company, a Class or a Share, as the context may require, as calculated by the Administrator in accordance with the IOI and as set out in the section titled “ <b>Valuation</b> ”;   |
| “Net Asset Value per Share” or “NAV per Share” | with respect to Shares in each Class divided by the number of Shares in such Class outstanding on the relevant Valuation Point;  |
| “Northbound Daily Quota”                       | the maximum net buy value of SSE Securities, SZSE Securities and/or securities listed on relevant stock market in Mainland China acceptable to the HKEX which are eligible for Stock Connect trading by Hong Kong and international investors each day;  |
| “OFC Code”                                     | Code on Open-Ended Fund Companies issued by the Commission, as amended or replaced;  |
| “OFC Rules”                                    | Securities and Futures (Open-ended Fund Companies) Rules, as amended;  |
| “Offering Documents”                           | the EM and PKFS, as amended and supplemented, containing information relating to the offer to buy Shares;  |
| “OTC”  | over the counter;  |
| “Ordinary Resolution”                          | a resolution of the Company in general meeting or of a Class meeting (as the case may be) passed by a majority of at least 50% of the votes validly cast for and against the resolution at such meeting;   |
| “Performance Fee”                              | the fee that the Company will pay to the Manager with respect to each Share at the end of each Financial Year or upon the transfer, redemption or conversion of Share, as described under the section titled “ <b>Fees and Expenses – Performance Fee</b> ”;   |
| “PKFS”   | Products Key Facts Statements;   |

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| <b>“Redemption Price”</b>       | in respect of each Class, the Net Asset Value per Share as of the Valuation Point, or at such other price as may be determined by the Manager in accordance with the section titled <b>“Valuation”</b> ;                 |
| <b>“Register”</b>               | the register of holders of Management Shares and Shareholders of a Class in the Company;   |
| <b>“Registrar”</b>              | BOCI-Prudential Trustee Limited as the registrar of the Company appointed to maintain the Register;  |
| <b>“Renminbi” or “RMB”</b>      | the lawful currency of the People’s Republic of China;   |
| <b>“Scheme Property”</b>        | the property of the Company;   |
| <b>“Securities Market”</b>      | any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded;   |
| <b>“SFO”</b>                    | the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong), as amended;  |
| <b>“Share”</b>                  | a share in the share capital of the Company having HKD1,000 each initially until designated as shares of a specific Class;   |
| <b>“Shareholder”</b>            | a holder of Shares in the Company;   |
| <b>“Special Resolution”</b>     | a resolution of the Company in general meeting or of a Class meeting (as the case may be) passed by a majority of at least 75% of the votes validly cast for and against the resolution at such meeting;                 |
| <b>“SSE”</b>                    | the Shanghai Stock Exchange, a stock exchange in the city of Shanghai in Mainland China;   |
| <b>“Stock Connect”</b>          | the securities trading and clearing links programme developed or to be developed by HKSE, SSE, SZSE, HKSCC and CSDCC for the establishment of mutual market access between HKSE and SSE/SZSE, respectively;              |
| <b>“Subscription Agreement”</b> | means the subscription agreement and/or additional subscription agreement in relation to an application for Shares or for additional Shares in the Company entered into between an investor and the Company;             |
| <b>“Subscription Price”</b>     | HKD1,000 per Share as of the Closing Date or the Net Asset Value per Share as at the Valuation Point, or such other price as may be determined by the Manager in accordance with the section titled <b>“Valuation”</b> ; |
| <b>“SZSE”</b>                   | the Shenzhen Stock Exchange, a stock exchange in the city of Shenzhen in Mainland China;   |
| <b>“United States” or “US”</b>  | the United States of America (including the States and the District of Columbia), its territories, its possessions and all other areas subject to its jurisdiction;  |
| <b>“US\$”</b>                   | the lawful currency of the United States;  |

|                          |   |
|--------------------------|---|
| <b>“US Person”</b>       | is as defined under the section titled <b>“Company Structure – Eligible Investor”</b> ;   |
| <b>“UT Code”</b>         | Code on Unit Trusts and Mutual Funds issued by the Commission, as amended, replaced or supplemented by published guidelines or other guidance issued by the Commission; |
| <b>“Valuation Point”</b> | the close of business in the last relevant market to close on each Dealing Day either generally or in relation to a particular Class; and                               |
| <b>“1933 Act”</b>        | has the meaning ascribed to that term in the section <b>“Important Notices - Distribution of Shares”</b> .  |

In this EM unless otherwise stated:

- (a) words and expressions used in this EM but not defined have the same meaning as in the IOI;
- (b) “in writing” and “written” includes printing, type, telex, facsimile, electronic mail, photography and all other modes of representing or reproducing words in permanent visible form;
- (c) words importing the singular include the plural and vice versa;
- (d) references to a person includes an individual, body corporate, partnership, any other unincorporated body or association of persons, and any government or government agency; and
- (e) references to legislation or legislative provisions include any amendment, consolidation, extension or reenactment, and any orders, regulations, instruments or other subordinate legislation made under that legislation or legislative provision.

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## COMPANY STRUCTURE

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### Hong Kong Public Open-ended Company

As at the date of this EM, the Company is authorized by the Commission under section 104 of the SFO and is registered by the Commission under section 112D of the SFO. Pursuant to the IOI, the Directors may issue different Classes at any time in the future.

In connection with the establishment of the Company as a public open-ended fund company with variable capital, the Company had submitted to the Commission a copy of the Explanatory Memorandum dated August 2022 for authorisation and other prescribed documents relating to the Company, as required by Applicable Law. The Company had also paid the prescribed initial application fee and other related registration fees as set out in the Securities and Futures (Open-ended Fund Company) (Fees) Regulation (“**OFC Fees Regulation**”), as required by Applicable Law.

As a public open-ended fund company authorised by the Commission, the Company must also regularly file various prescribed documents, as set out in the Applicable Law, with the Commission, including (but not limited to) its Annual Reports. The Commission has supervisory, enforcement and other relevant powers as set out in the SFO to ensure compliance with Applicable Law. Regulation under Applicable Law entails that certain changes relating to the Company require the Commission’s prior approval before such change can be effected, and post-change notification filings with the Commission with respect to certain changes relating to the Company are required to be made. Further general information concerning the Company are contained in the sections headed “**Shareholder’s Rights**” and “**General Information**”.

### Eligible Investors

Each investor will be required to represent and warrant to the Company that it is able to acquire and hold Shares without breaching the law or requirements of any country, regulatory body or government authority. (each an “**Eligible Investor**”).

Unless otherwise agreed to by the Company, each investor is also required to certify upon investment and from time to time that the Shares are not being acquired directly or indirectly for the account or benefit of any US Person as defined below, and other persons from time to time designated as such by the Company.

Any prospective investor acting in any fiduciary capacity is required to certify upon investment and from time to time the number of beneficial owners for whom Shares are being purchased. Furthermore, it is the responsibility of each investor to verify that the purchase and payment for the Shares is in compliance with all relevant laws of the investor's jurisdiction or residence.

The Company reserves the right to reject subscriptions for Shares, in whole or in part, in its absolute discretion if the Directors determine in their absolute discretion that such rejection of subscription(s) is in the best interest of the Company.

For the purposes of this EM, “**US Person**” means:

- (1) any natural person resident in the United States;
- (2) any partnership or corporation organised or incorporated under the laws of the United States;
- (3) any estate of which any executor or administrator is a United States Person;
- (4) any trust of which any trustee is a United States Person;
- (5) any agency or branch of a foreign entity located in the United States;

- (6) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a United States Person;
- (7) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; or
- (8) any partnership or corporation if:
  - (a) organised or incorporated under the laws of any non-US jurisdiction; and
  - (b) formed by United States Persons principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organised or incorporated, and owned, by “accredited investors” (as defined in Rule 501(a) under the 1933 Act) who are not natural persons, estates or trusts.

Notwithstanding the foregoing definition, the following are not United States Persons for purposes of Regulation S of the 1933 Act:

- (1) Any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-US Person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the United States.
- (2) Any estate of which any professional fiduciary acting as executor or administrator is a United States Person if:
  - (a) an executor or administrator of the estate who is not a United States Person has sole or shared investment discretion with respect to the assets of the estate; and
  - (b) the estate is governed by non-US law.
- (3) Any trust of which any professional fiduciary acting as trustee is a United States person, if a trustee who is not a United States Person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a United States Person.
- (4) An employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country.
- (5) Any agency or branch of a United States Person located outside the United States if:
  - (a) the agency or branch operates for valid business reasons; and
  - (b) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located.
- (6) The International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organisations, their agencies, affiliates and pension plans.

The IOI provides that the Directors have the power to impose such restrictions as they may deem necessary for the purpose of ensuring that no Shares are acquired or held by any person or persons (a “**Non-Eligible Person**”) in circumstances (whether directly or indirectly affecting such person or persons) which, in the opinion of the Directors, might result in the Company incurring any tax liability or suffering any other pecuniary, regulatory, material administrative or commercial disadvantages that the Company might not otherwise have incurred or suffered. If the Company incurs any such tax liability or suffers any other

pecuniary, regulatory, material administrative or commercial disadvantages resulting from a Non-Eligible Person being a Shareholder, the Company may require such person to reimburse the Company for such liability, suffering or disadvantages. Such reimbursement will only be required by the Company in good faith and on reasonable grounds, and neither the Company nor its Directors intend to apply or exercise any withholding, set-off or rights of deductions pursuant to such indemnity, save to the extent permitted by any Applicable Law.

The IOI provides that if it comes to the notice of the Directors that any Shares are held by any such Non-Eligible Person, the Directors may give notice to such Non-Eligible Person requiring the redemption or transfer of such Non-Eligible Person's Shares in accordance with the provisions of the IOI. A person who becomes aware that its holding of Shares under circumstances that render such person a Non-Eligible Person is required either to deliver to the Company a written request for redemption of such Shares in accordance with the IOI or to transfer the same to a person who would not thereby be a Non-Eligible Person.

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## INVESTMENT PROGRAM

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### Investment Objective

The investment objective of the Company is to seek medium to long term capital growth and income through investing in equity securities that are either (a) listed and traded in Hong Kong, or (b) unlisted, but is (i) issued by entities incorporated in Hong Kong; or (ii) entities which have significant operations in or assets in, or (iii) derive significant portion of revenue or profits from Hong Kong (“**HK Securities**”).

### Investment Strategy

#### *Primary Investments*

The Company will invest not less than 70% of its NAV in shares of listed companies and will also invest at least 70% of its NAV in HK Securities.

The Company does not intend to focus or limit its exposure to any particular sector or industry.

At the time of investment, the Manager will invest in companies whose market capitalisation is above HKD1 billion, though the market capitalization of the companies may drop below HK\$1 billion after the Company’s investment. Once the Manager has determined to invest into the selected company, the Company’s investment in each Scheme Property may not exceed more than 10% of the Company’s total NAV.

#### *Ancillary Investments*

Up to 30% of the Company’s NAV will invest into non-HK Securities, principally into Mainland China and the US with no more than 10% of the Company’s NAV will be invested into Mainland China. In particular, the Company’s investment in listed equity securities in the A Shares market will be no more than 10% of the Company’s NAV via Stock Connect (please refer to section below titled “**Stock Connect**”) and/or other permissible means as approved by the relevant regulators from time to time. The Company expects to invest into other unlisted equity securities (i.e. pre-listed shares, IPOs and/or share placements) representing less than 10% of the Company’s NAV.

Generally speaking, the Company does not anticipate investing more than 10% of its NAV in cash and cash equivalents, which are generally Scheme Properties that generate regular dividends. Under exceptional circumstances (e.g. market crash or major crisis), the Company may be invested temporarily up to 100% in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management.

For hedging purposes, the Company may also invests no more than 10% of its NAV in FDIs (e.g. warrants and stock options). The Company’s net derivative exposure may be up to 50% of its NAV.

The Company currently does not intend to invest in any FDI for investment purposes.

The Company also does not currently intend to engage in securities financing transactions (including securities lending transactions, repurchase agreements (repo) and reverse repo transactions).

Further, the Company does not hold or receive collateral nor engage in underwriting transactions.

### Asset Allocation

To summarise, the Company’s indicative asset allocation by asset class is presented in the table below:-

| Types of Investments                                 | Percentage of Allocation<br>(% of Net Asset Value) |
|--|--|
| Listed Equities                                      | 70% to 100%  |
| Unlisted pre-listed shares, IPO and share placements | Up to 10%  |
| FDIs (such as warrants and stock options)            | Up to 10%  |
| Cash and cash equivalents                            | Up to 10%  |

In order to achieve the investment objective, the actual asset allocation of the Company will change according to the Manager's views of fundamental economic and market conditions and investment trends across the globe, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market. In extreme market conditions (such as economic downturn or political turmoil in the markets in which a substantial portion of the Scheme Properties are invested or changes in legal or regulatory requirements or policies), the actual asset allocation can vary significantly from the indicative asset allocations.

The Scheme Properties will be invested with the aim of achieving the investment objective and in accordance with the investment strategy. Investments must also comply with the investment and borrowing powers and restrictions set out in the UT Code, the OFC Code, the IOI and this EM.

### *Stock Connect*

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links program developed by HKEX, SSE and China Securities Depository and Clearing Corporation Limited ("**ChinaClear**"). The Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links program developed by HKEX, SZSE and ChinaClear. The aim of Stock Connect is to achieve mutual stock market access between Mainland China and Hong Kong.

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the Company), through their Hong Kong brokers and a securities trading service company established by The Stock Exchange of Hong Kong Limited ("**SEHK**"), may be able to trade eligible A-Shares listed on the SSE by routing orders to SSE.

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors (including the Company), through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to trade eligible A-Shares listed on the SZSE by routing orders to SZSE.

### *Eligible securities*

Under the Shanghai-Hong Kong Stock Connect, the Company, through their Hong Kong brokers may trade certain eligible shares listed on the SSE (i.e. "**SSE Securities**"). These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE listed A Shares that are not included as constituent stocks of the relevant indices but which have corresponding H Shares listed on SEHK, except the following:

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are included in the "risk alert".

Under the Shenzhen-Hong Kong Stock Connect, the Company, through their Hong Kong brokers may trade certain eligible shares listed on the SZSE (i.e. “**SZSE Securities**”). These include all constituent stocks of the SZSE Component Index and SZSE Small/ Mid Cap Innovation Index which has a market capitalisation of not less than RMB6 billion, and all SZSE-listed A Shares which have corresponding H Shares listed on SEHK, except the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are included in the “risk alert” or under delisting arrangement.

At the initial stage of the Shenzhen-Hong Kong Stock Connect, investors eligible to trade shares that are listed on the ChiNext market of SZSE under the Northbound Shenzhen Trading Link will be limited to institutional professional investors as defined in the relevant Hong Kong rules and regulations.

It is expected that the lists of eligible securities for the Stock Connect will be subject to review.

#### *Trading quota*

Trading under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be subject to a daily quota (“**Daily Quota**”). Northbound Shanghai Trading Link and Northbound Shenzhen Trading Link will be respectively subject to a separate set of Daily Quota.

The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The Northbound Daily Quota is currently set at RMB52 billion for each of the Stock Connect.

#### *Settlement and custody*

HKSCC, a wholly-owned subsidiary of HKEX, and ChinaClear will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by their respective market participants and investors.

The A-Shares traded through Stock Connect are issued in scripless form, and investors will not hold any physical A Shares. Hong Kong and overseas investors who have acquired SSE Securities or SZSE Securities through Northbound trading should maintain the SSE Securities or SZSE Securities with their brokers’ or custodians’ stock accounts with CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK).

#### *Corporate actions and shareholders’ meetings*

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities and SZSE Securities held in its omnibus stock accounts in ChinaClear, ChinaClear as the share registrar for SSE and SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE and SZSE securities. The relevant China Securities Regulatory Commission regulations and ChinaClear rules generally recognise the Hong Kong and overseas investors as the ultimate owners having beneficial ownership in the SSE Securities and SZSE Securities traded via the Stock Connect.

HKSCC will monitor the corporate actions affecting SSE Securities and SZSE Securities and keep the relevant brokers or custodians participating in CCASS (“**CCASS participants**”) informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

SSE-/SZSE-listed companies usually announce information regarding their annual general meetings/extraordinary general meetings about two to three weeks before the meeting date. A poll is called on all resolutions for all votes. HKSCC will advise the CCASS participants of all general meeting details such as meeting date, time, venue and the number of resolutions.

### *Trading fees*

Under the Stock Connect, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant Mainland authority when they trade and settle SSE Securities and SZSE Securities. Further information about the trading fees and levies is available online at the website: <http://www.hkex.com.hk/eng/csm/index.htm>

### *Investor compensation*

The Company's investments through Northbound trading under Stock Connect will be covered by Hong Kong's Investor Compensation Fund. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

On the other hand, since the Company is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland China brokers, therefore they are not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in the Mainland China.

Further information about the Stock Connect is available online at the website:

<http://www.hkex.com.hk/eng/csm/index.htm>

### **Investment Restrictions**

The Company is subject to certain investment restrictions set out under the UT Code and the IOI, as amended from time to time. So long as the Company is authorized by the Commission pursuant to section 104 of the SFO, the following investment restrictions will apply to the Investments at the time of the Company's investment:

- (a) the aggregate value of an Investments in, or exposure to, any single entity through the following, may not exceed 10% of the latest available Net Asset Value of the Company:
  - (i) investments in securities issued by such entity;
  - (ii) exposure to such entity through underlying assets of FDIs; and
  - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter FDIs.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in this paragraph (a) and paragraph (b) of this section and paragraph (a)(iv) under the section headed "**Restrictions applicable to FDIs**" below will not apply with FDIs that are:

- (i) transacted on an exchange where the clearing house performs a central counterparty role; and
  - (ii) marked-to-market daily in the valuation of their FDI positions and subject to margining requirements at least on a daily basis.
- (b) subject to paragraph (a) above in this section and paragraph (a)(iv) under the section headed "**Restrictions applicable to FDIs**" below, the aggregate value of Investments in, or exposure to, entities within the same group through the following, may not exceed 20% of the latest available Net Asset Value of the Company:
- (i) investments in securities issued by those entities;

- (ii) exposure to those entities through underlying assets of FDIs; and
- (iii) net counterparty exposure to those entities arising from transactions of over-the-counter FDIs.

For the purposes of this paragraph (b) and paragraph (c) below in this section, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with HKFRS are generally regarded as “entities within the same group”.

- (c) the value of the Company’s cash deposits made with the same entity (or entities within the same group), may not exceed 20% of the latest available Net Asset Value of the Company, unless:
  - (i) the cash is held before the launch of the Company and for a reasonable period thereafter prior to the initial subscription amounts being fully invested, or
  - (ii) the cash proceeds from liquidation of Investments prior to the merger or termination of the Company, whereby the placing of cash deposits with various financial institutions would not be in the best interest of investors; or
  - (iii) the cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors’ interests.

For the purposes of this paragraph (c), “cash deposits” generally refer to those that are repayable on demand or have the right to be withdrawn by the Company and not referable to provisions of property or services;

- (d) the Company collectively may not hold more than 10% of the nominal amount of the ordinary shares issued by any single entity;
- (e) no more than 15% of the latest available Net Asset Value of the Company being invested in securities and other financial products or instruments which are neither listed, quoted or dealt in on a securities market which is open to the international public and on which such securities are regularly traded;
- (f) notwithstanding paragraphs (a), (b), (d) and (e) above in this section, where direct investment by the Company in a market is not in the best interests of investors, a Company may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:
  - (i) the underlying investments of the subsidiary, together with the direct investments made by the Company, must in aggregate comply with the requirements of Chapter 7 of the UT Code;
  - (ii) any increase in the overall fees and expenses directly or indirectly borne by the Shareholders or the Company as a result must be clearly disclosed in the Offering Documents; and
  - (iii) the Company must produce the reports required by Chapter 5.10(b) of the UT Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Company.
- (g) notwithstanding paragraphs (a), (b) and (d) above in this section, no more than 30% of the latest available Net Asset Value of the Company being invested in Government and other Public Securities of the same issue;

- (h) subject to paragraph (g) above in this section, the Company may invest all of its assets in Government and other Public Securities in at least six different issues. For the avoidance of doubt, Government and other Public Securities will be regarded as being a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise;
- (i) no investment in physical commodities unless otherwise approved by the Commission on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards, where necessary;
- (j)
  - (i) the value of any investment in units or shares in other collective investment schemes (“**underlying schemes**”) which are non-eligible schemes (as determined and specified by the Commission from time to time) and not authorised by the Commission, in aggregate not exceeding 10% of the latest available Net Asset Value of the Company; and
  - (ii) the value of the Company being invested in units or shares in one or more underlying schemes which are either authorised by the Commission or eligible schemes (as determined and specified by the Commission from time to time), not exceeding 30% of the latest available Net Asset Value of the Company, unless (x) the underlying scheme is authorised by the Commission and (y) the name and key investment information of the underlying scheme are disclosed in the Offering Documents,

provided that:

- (A) no investment may be made in any underlying scheme where the investment objective is to invest primarily in any investment prohibited by Chapter 7 of the UT Code;
- (B) where an underlying scheme’s objective is to invest primarily in investments restricted by Chapter 7 of the UT Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, the Company may invest in underlying scheme(s) authorised by the SFC under Chapter 8 of the UT Code (except for hedge funds under Chapter 8.7 of the UT Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its latest available Net Asset Value, and exchange traded funds satisfying the requirements in paragraph (k)(i) and paragraph (k)(ii) below and with paragraphs (j)(i) and (j)(ii) above in this section;
- (C) where the underlying schemes are managed by the Manager or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) of this section are also applicable to the investments of the underlying schemes;
- (D) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
- (E) where an investment is made in an underlying scheme(s) managed by the Manager or their connected persons, all initial charges and redemption charges on the underlying schemes(s) must be waived; and
- (F) the Manager or any person acting on behalf of the Company or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

- (k) unless otherwise provided under the UT Code, the spread requirements under paragraphs (a), (b), (d) and (e) above in this section do not apply to investments in other collective investment schemes by the Company. For the avoidance of doubt, exchange traded funds that are:
  - (i) authorised by the Commission under Chapters 8.6 or 8.10 of the UT Code; or
  - (ii) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and;
    - (A) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the UT Code; or
    - (B) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the UT Code,

may either be considered and treated as (x) listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above in this section; or (y) collective investment schemes for the purposes of and subject to the requirements in paragraphs (j)(i), (j)(ii) and sub- paragraphs (A) to (D) of paragraph (j) above in this section. However, the investments in exchange traded funds shall be subject to paragraph (e) above in this section and, unless otherwise specified in this EM, an investment in exchange traded funds is considered and treated as listed securities for the purposes of and subject to the requirements as set out in paragraphs (a), (b) and (d) above in this section;

In addition, the Company is subject to the following investment restrictions which prohibits the Directors and the Manager from:

- (l) investing in any securities of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class, or, such directors and officers collectively own more than 5% of those securities; and
- (m) investing in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (“REITs”). In the case of investments in such shares and REITs, they shall comply with the investment limits as set out in paragraphs (a), (b), (d), (e) and (j)(i) above in this section, where applicable. For the avoidance of doubt, where investments are made in listed REITs, paragraphs (a), (b) and (d) above in this section apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then paragraphs (e) and (j)(i) above in this section apply respectively;
- (n) making short sales unless (i) the Company’s liability to deliver securities does not exceed 10% of its latest available Net Asset Value; (ii) the security which is to be sold short is actively traded on a market where short selling activity is permitted; and (iii) the short sales are carried out in accordance with Applicable Laws;
- (o) carrying out any naked or uncovered short sales of securities;
- (p) subject to the borrowing limitations set out in this EM, lending, assuming, guaranteeing, endorsing or otherwise becoming directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in Chapters 7.32 to 7.35 of the UT Code are not subject to the limitations in this paragraph (p);

- (q) acquiring any asset or engaging in any transaction which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Shareholders must be limited to their investments in the Company;
- (r) acquiring any security where a call is to be made for any sum unpaid on that security unless that call can be met in full out of cash or near cash by the Scheme Properties, whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDI's for the purposes of paragraphs (c) and (d) under the section headed **“Restrictions applicable to FDI's”** below”.

The Manager is not required to immediately liquidate Investments if the Company's investment restrictions and/or borrowing limitations are breached or exceeded as a result of changes in the value of the Investments, reconstructions, amalgamations, payments out of the Scheme Properties or redemption of Shares. However, the Manager will take such steps as it considers appropriate within a reasonable period to remedy the situation, taking due account of the interests of the Shareholders, but shall not be under any further liability in respect of the breach.

### **Financial Derivative Instruments**

Subject to the provisions of the IOI, the Company may enter into transactions in relation to FDI's, such as warrants and stock options, for hedging purposes. The Company may acquire FDI's for hedging purpose provided that such FDI's meet all of the following criteria:

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
- (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

Hedging arrangements shall be adjusted or re-positioned, where necessary and with due consideration on the fees, expenses and costs, to enable the Company to meet its hedging objective in stressed or extreme market conditions. Net derivative exposure shall be calculated in accordance with the UT Code and the requirements and guidance issued by the Commission which may be updated from time to time.

### **Restrictions applicable to FDI's**

- (a) Investment by the Company in FDI's should be either listed or quoted on a stock exchange or dealt in over-the-counter market, and comply with the following requirements:
  - (i) the underlying assets of the FDI's invested in by the Company consist solely of shares in companies, debt securities, money market instruments, units/shares in collective investment schemes, deposits with substantial financial institutions, Government and other Public Securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the Commission, in which the Company may invest according to its Investment Program;
- (b) the counterparties to transactions of over-the-counter FDI's or their guarantors are substantial financial institutions or such other entity acceptable to the Commission (taking into account factors

such as the regulatory status of the entity or the group to which it belongs and the net asset value of the entity);

- (c) subject to paragraphs (a) and (b) in the above section headed “**Investment Restrictions**” above, the net counterparty exposure to a single entity arising from transactions of over-the-counter FDI may not exceed 10% of the Net Asset Value of the Company, provided that the exposure of the Company to a counterparty of over-the-counter FDI may be lowered by the collateral received (if applicable) by the Company and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter FDI with that counterparty, if applicable; and
- (d) the valuation of the FDI is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager, its nominee(s), agent(s), or delegate(s) independent of the issuer of the FDI through measures such as the establishment of a valuation committee or engagement of third party services. The FDI can be sold, liquidated or closed by an offsetting transaction at any time at their Fair Value at the Company’s initiative. Further, the calculation agent should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDI on a regular basis.
- (e) Subject to paragraph (a) of this section, the Company may invest in FDI provided that the exposure to the underlying assets of the FDI, together with the other Investments, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and Investments as set out in paragraphs (a), (b), (c), (g), (h), (j)(i), and (j)(ii), proviso (A) to (D) of paragraph (j) and paragraph (l) in the above section headed “**Investment Restrictions**”.
- (f) If the Company engages in a transaction in FDI, the Company should at all times be capable of meeting all its payment and delivery obligations incurred under such transactions. The Manager shall, as part of its risk management process, monitor to ensure that such transactions in FDI are adequately covered on an ongoing basis. For the purposes of this paragraph (c), Scheme Properties that are used to cover the Company’s payment and delivery obligations incurred under transactions in FDI shall be free from liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.
- (g) Subject to paragraph (c) of this section, a transaction in FDI which gives rise to a future commitment or contingent commitment of the Company should be covered as follows:
  - (i) FDI transactions that will (or may at the discretion of the Directors or the Manager) be settled by cash, the Company should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
  - (h) FDI transactions that will (or may at the counterparty’s discretion) require physical delivery of the underlying assets, the Company should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Company may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation.

Where a financial instrument embeds an FDI, the investment restrictions and limitations under the section headed “**Financial Derivative Instruments**” above and paragraphs (a) to (d) of this section above will also apply to the embedded FDI (being a FDI that is embedded in another security, namely the host contract).

**There can be no assurance that the Company will achieve its investment objective. Please refer to the section titled “Risk Factors” described in this EM.**

### **Changes to Investment Program**

Any changes to the Investment Program which are material changes will be subject to the prior approval of the SFC and notified to the affected Shareholders by at least one month's prior written notice (or such other notice period as agreed with the SFC). Set out below are the overriding principles and requirements that must be satisfied in order for any changes to be classified as immaterial changes:

- (a) the changes do not amount to a material change to the Company;
- (b) there will be no material change or increase in the overall risk profile of the Company following the changes; and
- (c) the changes do not have a material adverse impact on rights or interests of Shareholders of the Company (including changes that may limit the ability of Shareholders of the Company in exercising their rights)

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## KEY MODE OF OPERATION

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### **Borrowing and Leverage**

The Company may leverage and such leverage may include, without limitation, borrowing cash and entering into derivative transactions. The total leverage in the Company will not normally exceed 10% (unless as otherwise disclosed to the holder of Management Shares and Shareholders in advance) of the latest Net Asset Value of the Company. Leverage is measured by the Manager as the ratio between the Gross Market Value (defined as the sum of the gross market value of the long positions and the gross market value of the short positions) and its Net Asset Value.

The Company may borrow money, subject to the following limitations:

- (a) the principal amount for the time being of all borrowings (with the exception of back-to-back loans) shall not exceed an amount equal to 10% of the value of the Net Asset Value of the Company on any Dealing Day; and
- (b) each borrowing may be related to any one or more of the following:
  - (i) to pay redemption proceeds on the redemption of Shares;
  - (ii) to settle the purchase or sale of any Investments in order to facilitate re-construction of the portfolio of Scheme Properties;
  - (iii) to meet fees, expenses and liabilities of the Company (excluding Management Fee, Performance Fee and fees payable to the service providers of the Company); or
  - (iv) for any other proper purpose as the Directors may from time to time determine.

The Company may mortgage, charge or pledge assets of the Company as security for borrowings.

If at any time the aggregate principal amount of all outstanding borrowings under the IOI shall exceed an amount equal to 10% of the latest available Net Asset Value of the Company calculated on the then most recent Dealing Day, the Manager shall take all steps as are necessary within a reasonable period of time to remedy the situation, taking into account the interests of Shareholders.

### **Risk Management Policy**

The Company is exposed to a variety of risks in pursuing its stated Investment Program. Therefore, risk management is a critical component of the Manager's management and operation of the Company to ensure the success of a long-term investment. In particular, as liquidity risk management is an integral part of the investment management process and is operated under the investment risk management framework, the oversight of the liquidity risk management function will be performed by the independent Risk Management Department of the Company. Further details of the operation of the Risk Management Department and escalation policy relating to the management of liquidity risk is set out below.

As part of its risk management process, the Manager considers various factors in determining the various risks relevant to the Investment Program, which may include concentration risks, market risks, credit and counterparty risks, foreign exchanges risks, operational risks and liquidity risks. Please refer to the section titled "**Risk Factors**" for more details.

### **Liquidity Management Policy and Procedures**

Specifically, Shareholders should be aware of the potential impact of the liquidity risk on the Company.

The Manager has established a liquidity risk management policy which enables the Manager to identify, monitor and manage the liquidity risks of the Company. The liquidity risk policy is designed after taking into account, on the one hand, potential Shareholders' profile in terms of historical and expected redemption patterns and on the other hand, the Company's dealing arrangement (i.e. dealing frequency and notice period) are tailored to the investment strategy adopted by the Company and liquidity profile of the Investments' life cycle. Upfront and ongoing product design, refinement and disclosure of its liquidity risk management arrangement seeks to facilitate compliance with the Company's obligation to meet its obligation to pay redemption proceeds. Such policy, combined with the liquidity management tools (i.e. suspension of dealings, valuation and payment of redemption proceeds) of the Manager, seeks to achieve fair treatment and transparency of all Shareholders and safeguard the interests of remaining Shareholders in the case of substantial redemptions out of the Company.

The liquidity policy involves ongoing monitoring of the liquidity profile of Investments held by the Company based on, among others, time to cash, external liquidity classification, liquidation horizon, daily trading volume, price volatility and bid-ask price spread of such Investments. Determination is then made as to whether the existing liquidity policy is appropriate to the redemption arrangements and will continue to facilitate compliance with the Company's obligation to pay redemption proceeds.

Regular liquidity risk monitoring is performed by designated risk management staff in the Risk Management Department that operates functionally independently of the investment staff under the supervision of senior management personnel of the Manager. A liquidity report will be generated by the Risk Management Department monthly. The results of the Risk Management Department's oversight will be reported to a risk management committee consisting of responsible officers and senior management personnel from the Compliance Department, Investment Department and Operation Department and Risk Management Department on a regular basis. Discrepancies noted regarding the liquidity profile, changes to the liquidity risk impacting the implementation of the liquidity risk management policy will be escalated to the risk management committee for consideration and instructions for appropriate action to be taken in a timely manner.

The Manager expects to assess, review and decide on actions required on a regular and ad hoc basis to meet the liquidity demands of the Company under emergency and stressed conditions. Further, the Company's liquidity management policy includes details on periodic stress testing carried by the Manager to manage the liquidity risk of the Company under normal and exceptional market conditions.

The liquidity risk management tools include the implementation and maintenance of appropriate liquidity limits/ratios and swing pricing mechanism, adding bid-ask spread, effecting fiscal charges adjustments and performing periodic stress testing of the liquidity risk of the Company under both normal and exceptional liquidity conditions to check whether anticipated redemption requests can be met and redemption proceeds can be paid out in accordance with the terms of this EM. In exceptional circumstances, the Manager may announce a suspension of dealings, valuation and payment of redemption proceeds on a Dealing Day to manage the Company's liquidity risks. Shareholders should refer to the section titled "**Suspension**" of this EM for details as to when the liquidity management tools will be deployed by the Manager and the potential impact of the application of these liquidity management tools to its investment in the Company.

### **Communication Policy**

The Company or the Administrator on behalf of the Company, is required to deliver to the Shareholders certain notices and documents from time to time, such as net asset value statements, notices of meetings and Annual Reports. Subject to the Applicable Law, any notice or document to be given by the Company to a Shareholder must be given in writing and may be given in any form as set out in the relevant provisions of the IOI and is deemed to be duly given in accordance with the relevant provisions of the IOI.

The Company, or the Administrator on behalf of the Company, may in the future elect to deliver such notices and documents by e-mail to the address in the Company's records or by posting them on a password protected website. Shareholders who do not wish to receive such documents electronically, or who wish to change the method of notice, should elect to do so by notifying the Administrator in writing.

In particular, a Shareholder:

- (a) from whom the Company has not received any notice of the Shareholder's registered address as appearing in the Register or relevant communication details; or
- (b) who despite having provided the Company with such address or communication details, notices or documents sent by the Company to it at such address or communication details over a period of at least six months have all been returned undelivered or the Company has received notification that they have not been delivered,

is deemed to have received any notice which has been displayed at the Company's registered office or made available at a website as supplied by the Company and notified in advance to the Shareholders, and such notice is deemed to have been received by such Shareholder on the day following that on which it has been first so displayed.

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## MANAGEMENT AND ADMINISTRATION

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### Directors

As of the date hereof, the Company has two Directors, who serve in accordance with the laws of Hong Kong and in accordance with the IOI. The Directors are responsible for the overall management and control of the Company in accordance with the IOI. However, the Directors have delegated responsibility for making day-to-day investment decisions to the Manager pursuant to the IMA and responsibility for day-to-day administrative functions to the Administrator pursuant to the Administration Agreement. The Directors will periodically review the operations and investment performance of the Company.

A brief biographical description of the Directors are as follows:

#### **Dr. Bankee Pak Hoo Kwan, JP (“Dr Kwan”)**

Dr Kwan is the chairman, chief executive officer and an executive director of Celestial Asia Securities Holdings Limited (“**CASH Group**”) and CASH Financial Services Group Limited (“**CFSG**”). Dr Kwan has more than 35 years of experience in banking, finance and investment, corporate management, strategic planning, marketing management and financial advisory. Prior to acquiring CASH Group, Dr Kwan was the Senior Director and Chief Lending Officer of American Express Bank leading a team of consultants providing advisory service to corporate and high-net-worth individual clients. Dr Kwan also worked for international financial institutions such as BNP Paribas and Sanwa Bank.

Dr Kwan graduated from The Murdoch University of Perth, Australia with a Master of Business Administration Degree and The Chinese University of Hong Kong with a Bachelor of Business Administration Degree. He was also conferred an Honorary Doctorate Degree in Business Administration. Dr Kwan is also a John Harvard Fellow at the Harvard University, US, and a member of the Harvard University Asia Center Advisory Committee, US.

Dr Kwan is currently a fellow of the Institute of Financial Accountants, UK, the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Marketing (HKIM). He is also a Certified Professional Marketer (HK) of HKIM. Dr Kwan is an Adjunct Professor of The Hang Seng University of Hong Kong, a trustee of New Asia College of The Chinese University of Hong Kong, an honorary fellow of The Metropolitan University of Hong Kong, a member of the Court of City University of Hong Kong and an honorary director of the Pan Sutong Shanghai-Hong Kong Economic Policy Research Institute (PSEI) of Lingnan University of Hong Kong. He was also a member of the Advisory Board of the Master of Science in International Banking and Finance Programme of the Lingnan University and an Honorary Advisor of Graduate School of Business of The Hong Kong Polytechnic University.

He is a Justice of Peace (JP) of the HKSAR. He serves as a Non-Executive Director for the Mandatory Provident Fund Schemes Authority. He is the deputy chairman of the Business Facilitation Advisory Committee (BFAC) and also the convenor of the Wholesale and Retail Task Force (WRTF) of BFAC. He is also a standing committee member and vice convener (Hong Kong and Macao Members) of the Chinese People’s Political Consultative Conference (CPPCC), Shanghai Committee; executive vice president of Hong Kong-Shanghai Economic Development Association; a member of the 5th Council of the China Overseas Friendship Association; a member of the Election Committee for the Fourth and the Fifth Term of the Chief Executive Election of the HKSAR; a director, honorary advisor and past chairman of the Hong Kong Retail Management Association (HKRMA); a member of the Labour Advisory Board of the HKSAR; a member of the Marketing Management Committee of the Hong Kong Management Association (HKMA); a director of the Hong Kong Justice of Peace Association; an honorary advisor of Hong Kong Small and Medium Enterprises Association and the deputy chairman the Vice Chairman of the Business Facilitation Advisory Committee and the Vice Convener (Hong Kong and Macao Members) of the Chinese People’s Political Consultative Conference, Shanghai Committee. Dr Kwan is the “Entrepreneur of the Year 2009” in the Asia Pacific Entrepreneurship Awards, the “World Outstanding Chinese” by the World

Chinese Business Investments Foundation, and the “Junzi Entrepreneur” by The Hang Seng University of Hong Kong.

### **Mr. Jeffrey Teng-hin Kwan (“Mr Kwan”)**

Mr Kwan is an executive director of both CASH Group and CFSG, being in charge of corporate management and strategic investments for both companies. He has extensive experience in financial technology, corporate and strategic management, private equity and investment management. He received a Bachelor of Arts degree in Psychology from the Johns Hopkins University, United States. He is a member of the Hong Kong Securities and Investment Institute.

### **Manager**

The Manager is a company incorporated with limited liability in Hong Kong with its registered address at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay and is licensed with the Commission with CE No. AHQ356 to carry out Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities (“**SFC License**”) pursuant to the SFO. The Manager has been retained by the Company to manage and invest its assets pursuant to the IMA.

Under the SFC License, the Manager is subject to the following licensing conditions:

- (a) The Manager shall not hold client assets;
- (b) For Type 1 regulated activity, the Manager shall only carry on the business of dealing in collective investment schemes; and
- (c) For Type 9 regulated activity, the Manager shall not provide a service of managing a portfolio of futures contracts for another person.

The terms “hold”, “client assets”, “dealing” and “collective investment scheme” are as defined under the SFO.

Information about the Manager may be obtained by contacting the directors of the Manager (as described below) at the address of the Manager stated in the Directory section of this EM.

The directors of the Manager are Dr. Kwan and Mr. Kwan whose biographies are as set out above.

### **Investment Management Agreement**

Pursuant to the terms of the IMA, the Manager shall agree, inter alia, to implement the Investment Program and shall ensure that the Company complies with any investment guidelines, leverage limitations and/or borrowing powers, if any, set out in the IOI and the EM, the IMA and any Applicable Law. Further, the Manager shall agree to manage the acquisition, holding and realisation of the Investments on a discretionary basis and to provide management, marketing, client servicing, administrative, valuation, monitoring and other services in connection with the Manager’s duties and responsibilities concerning the Investments as set out in the IMA. The Manager may delegate its functions, duties, powers and discretions pursuant to the IMA. Fees and expenses associated with the Manager retaining any agent shall be borne by the Manager. The Manager must act in good faith and with reasonable skill and care in the selection, use and monitoring of any party to which it delegates the performance of a function pursuant to the IMA. The Manager may act or rely on the opinion or advice or any information obtained from any broker, lawyer, accountant, appraiser, surveyor, auctioneer or other expert (whether or not reporting to the Company) and the Manager shall not, in the absence of any Disabling Conduct (as defined in the IMA) on its part, be responsible for any loss by the Company as a result of it so acting.

The Company is the client of the Manager for the purposes of Applicable Law and not any of the Shareholders, in relation to the services the Manager provides to the Company pursuant to the IMA.

The IMA provides that, inter alia, the Company shall hold harmless, fully indemnify and keep indemnified, on demand, the Manager, its directors, officers, employees and agents against all actions, proceedings, losses, claims, costs, demands and expenses (“**Claims**”) which may be brought against, suffered or incurred by the Manager as a result of its activities on behalf of the Company pursuant to the IMA. The Manager will be entitled to indemnification in respect of such Claims based upon the action or inaction of any delegates, provided the Manager has acted in good faith and with reasonable skill and care in the selection, use and monitoring of delegates. Any delegates which are connected person of the Manager will be held to the same standard of care as the Manager. The indemnification does not apply in relation to any Claims incurred by reason of the Manager’s Disabling Conduct (as defined in the IMA) as determined by a court of competent jurisdiction or arbitral tribunal in the performance of any of the services or its duties under the terms of the IMA. The Manager shall be entitled to rely on, and may act on the advice of, professional advisers in relation to matters of law, regulation, rule or market practice, and shall not be liable to the Company for any action reasonably taken or omitted in accordance with such advice. The indemnification provisions set out above shall survive the termination of the IMA.

No provision in the IMA may provide that the Company, the Directors or the Manager to be exempted from any liability to holders of Management Shares/Shareholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may the Company, the Directors or the Manager be indemnified against such liability by the holder of the Management Shares/Shareholders or at the Shareholders’ expense.

Subject to the paragraph below, the IMA may be terminated by either party giving not less than three months’ prior written notice to the other party, and in certain circumstances as set out in the IMA, may be immediately terminated by either party at any time. The Manager is obliged to inform the Directors if it becomes aware of such circumstances which give rise to it being in material breach of the IMA

If the IMA is terminated before the end of a calendar month, the Management Fee will be calculated and paid as though the date of termination was the end of the relevant calendar month. Similarly, if the IMA is terminated before the end of a Performance Period (as defined in the IMA), the Performance Fee (if any) will be calculated and paid as though the date of termination was the end of the relevant Performance Period.

On termination of the appointment of the Manager, the Manager shall be entitled to receive all outstanding fees and allocations (including the Management Fees and Performance Fees (if any) and/or other monies accrued but unpaid up to the date of termination.

Termination of the IMA shall be without prejudice to, and shall not affect, any right vested in, liability in any way accrued, or any obligation imposed upon, any party pursuant to the IMA as at the date of such termination. Following termination of the IMA, the Directors may appoint a replacement Manager to operate, manage and administer the Company as soon as reasonably practicable.

The Manager will devote as much time and effort as may reasonably be required to perform its duties as described above.

The section headed “**Fees and Expenses**” herein sets out the general description of the fees payable to the Manager.

### **Administrator and Custodian**

BOCI-Prudential Trustee Limited (“**BOCPT**”) has been appointed as the administrator to the Company, pursuant to the administration agreement dated 7<sup>th</sup> February 2022 between BOCPT and the Company (“**Administration Agreement**”).

BOCPT is incorporated and registered as a trust company in Hong Kong. BOCPT is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited. BOC Group Trustee Company Limited is owned by Bank of China (Hong Kong) Limited and BOC International

Holdings Limited, which are subsidiaries of Bank of China Limited. The principal activity of BOCPT is the provision of trustee services, investment accounting, administration and registrar services to various kinds of funds and institutional clients.

Pursuant to the Administration Agreement, BOCPT is responsible for the general administration services of the Company, which include amongst other things, arranging calculation of net asset valuations, management, registrar and performance fees, maintenance of financial books and records, maintaining a copy of the Register and arranging for the issuance and redemption of the Shares.

The Company and BOCPT may amend or modify the administration agreements by mutual agreement, subject to the terms of the Administration Agreement.

The appointment of BOCPT as the administrator to the Company may be terminated by not less than ninety(90) days' notice in writing or in accordance with terms of the Administration Agreement.

Under the Custodian Agreement dated 7<sup>th</sup> February 2022 made between BOCPT and the Company, BOCPT is responsible for the safe-keeping of all the investments, cash and other assets forming part of the assets of the Company and such assets will be dealt with pursuant to the terms of the Custodian Agreement. BOCPT may appoint any person or persons (including a connected person of BOCPT) as custodian, nominee, agent or delegate of BOCPT, to hold all or any of the assets of the Company, and may empower any such person to appoint, with the prior consent in writing of BOCPT, co-custodians, sub-custodians and/or delegates (each such custodian, nominee, agent, co-custodian, sub-custodian, and delegate a “**Correspondent**”). BOCPT shall (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of such Correspondent; (b) be satisfied that such Correspondent remains suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Company; and (c) be liable for the acts and omissions of any Correspondent which is a Connected Person of BOCPT as if the same were the acts or omissions of BOCPT. For any Correspondent which is not a Connected Person of BOCPT, BOCPT shall discharge its obligations set out in (a) and (b) in this paragraph. BOCPT is not generally expected to be liable for any act, omission, insolvency, liquidation or bankruptcy of any central securities depository or clearing system.

BOCPT does not provide advisory or asset management services to the Company and is not responsible for the management of the Company. None of BOCPT or their employees, service providers or agents is responsible for the preparation or issue of this EM other than the descriptions under this section headed “**Administrator and Custodian**”.

BOCPT, in its capacity as administrator and custodian to the Company is entitled to the fees mentioned below in the section headed “**Fees and Expenses – Administrator Fee and Custodian Fee**”.

#### **Auditor**

Deloitte Touche Tohmatsu has been appointed to act as the auditor of the Company.

The Auditor will prepare auditor's report for the Shareholders based on any financial statements prepared by the Directors and included in the Annual Report during the Auditor's term of office as required under Applicable Law.

#### **Legal Adviser to the Manager**

WBY Lawyers (“**WBY**”) acts as Hong Kong legal counsel to the Company. In connection with the Company's offering of Shares and subsequent advice to the Company, WBY will not be representing Shareholders. No independent legal counsel has been retained to represent the Shareholders. WBY's representation of the Company is limited to specific matters as to which it has been consulted by the Company and the Manager. There may exist other matters that could have a bearing on the Company as to which WBY has not been consulted. In addition, WBY does not undertake to monitor compliance by the Manager and its affiliates with the investment program, valuation procedures and other guidelines set forth

herein, nor does WBY monitor the Company's and the Manager's ongoing compliance with applicable laws. In connection with the preparation of this EM, WBY's responsibilities are limited to matters of Hong Kong law and they do not accept responsibility in relation to any other matters referred to or disclosed in this EM. In the course of advising the Company, there are times when the interests of Shareholders may differ from those of the Company. WBY does not represent the Shareholders' interests in resolving these issues. In reviewing this EM, WBY has relied upon information furnished to it by the Company and the Manager and has not investigated or verified the accuracy and completeness of information set forth herein concerning the Company or the Manager.

### **Changes in Service Providers**

Subject to obtaining the SFC's prior approval (where applicable) and in accordance with the IOI, the Directors may change any service providers to the Company (including the Auditors) and agree to different contractual terms with new or existing service providers.

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## CONFLICT OF INTEREST

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The Directors, the Manager, the Administrator and the Custodian and their respective connected persons, which shall be deemed to include, in each case, their respective officers, directors, employees and entities owned by any of the aforementioned parties (“**Related Parties**”) may face certain conflicts of interests in relation to the Company. These conflicts include, but are not limited to, the following:

- Some or all of the Related Parties may act as director, promoter, manager, investment manager, investment adviser, registrar, administrator, transfer agent, trustee, custodian, broker, distributor or placing agent to, or be otherwise involved in, other collective investment schemes or entities which have similar Investment Program to that of the Company and with other business in general. Similarly, one or more of them may provide discretionary fund management or ancillary administration, custodian or brokerage services to investors with similar Investment Program to that of the Company. Consequently, any of them may, in the ordinary course of their business, have potential conflicts of interests with the Company. Each will at all times seek to have proper regard to its obligations to the Company and will endeavour to resolve such conflicts that may arise fairly.
- Subject to the provisions of the relevant agreements, the Related Parties may engage for their own accounts, or for the accounts of others, in other business ventures of any nature, and the Company has no right to participate in or benefit from the other activities of the Related Parties described above and the Related Parties shall not be obliged to account to the Company for any profits or benefits made or derived therefrom, nor shall they have any obligation to disclose or refer to the Company any of the investment or service opportunities obtained through such activities. Related Parties (except for the Manager which is separately described below) may own Shares, deal as principals with the Company in the sale or purchase of Investments of or act as brokers/agents, whether to the Company or to third parties, in the purchase or sale of the Investments and shall be entitled to retain any profits or customary commissions resulting from such dealings.
- The Manager may cause the Company to invest in securities in which some or all of the Related Parties have a financial interest, or to engage in transactions with brokers or others with whom some or all of the Related Parties have financial or other relationships.
- The Directors presently and will in the future, directly or indirectly, direct, sponsor or manage other investment funds or managed accounts in addition to the Company. If the Manager makes trading decisions in respect of such investment vehicles or managed accounts and in respect of the Company at or about the same time, the Company may be competing with such other investment funds or managed accounts for the same or similar positions. The Manager will acting in the best interest of the Shareholders endeavour to allocate all investment opportunities on a fair and equitable basis between the Company and those other investment vehicles and managed accounts to ensure fair treatment of the Shareholders.
- The Manager believes that it will continue to have sufficient staff, personnel and resources to perform all of its duties with respect to the Company. However, because some of the officers of the Manager may have duties in connection with other investment funds and other matters, such officers may have conflicts of interest in the allocation of responsibilities, services and functions among the Company.
- The Company may invest into investment funds and/or with other accounts managed by the Manager’s connected persons. As a result, the Manager may receive fees based on these investments directly from the Company and, directly or indirectly, from the other investment funds or accounts.

- The Manager and/or its connected persons and/or its employees may from time to time have an interest, direct or indirect, in an investment, the purchase or sale of which by the Company is recommended, or which in fact is purchased or sold by or otherwise traded for the Company. When there is a limited supply of investments, the Manager will use its reasonable efforts to allocate or rotate investment opportunities and act in the best interests of the Shareholders.
- The Manager shall only enter into a cross trade between the Company and the Manager with respect to its house accounts (ie. accounts owned by the Manager or any of its connected persons over which it can exercise control and influence), with the prior written consent of the Company and the Custodian, as well as, after the disclosure of any actual or potential conflicts of interest in relation to such transaction is made to the Company. The Company shall not enter into any transactions involving the account/assets of the Manager's directors, employees or persons accredited to the Manager for conducting regulated activities who (i) in their regular functions or duties make or participate in investment decisions, or may obtain information relevant for any buying or selling of investments made by the Manager on behalf of an investment fund and/or account, or (ii) whose functions relate to the making of any recommendations with respect to such buying or selling; or any persons over whom such aforementioned person exercises control and influence.
- The Manager shall not enter into transactions with any other investment funds and/or accounts managed by the Manager unless where:
  - (a) the decisions to sell or purchase are in the best interests of the Company and/or the other investment funds and/or accounts managed by the Manager (as the case may be), and fall within each of their Investment Program;
  - (b) the trading activities are executed on an arm's length basis with reference to the current market value;
  - (c) the reasons for such trading activities are properly documented by the Manager prior to the execution; and
  - (d) such trading activities are disclosed to the Company and/or the other investment fund and/or account managed by the Manager (as the case may be).
- The Manager may come into possession of non-public information concerning specific companies although internal system and controls are in place to prevent the receipt of such information. Under Applicable Law, this may limit the Manager's flexibility to buy or sell portfolio securities issued by such companies. The investment flexibility of the Company may be constrained as a consequence of the Manager's inability to use such information for investment purposes.
- The Manager may cause the Company to purchase securities or other assets from or sell securities or other assets to, or engage in other transactions with, other companies, clients or vehicles when the Manager believes such transactions are appropriate and in the best interests of the Company. If the Manager wishes to reduce the investment of the Company or other clients or vehicles in a security or other asset and increase the investment of the Company or other companies, clients or vehicles in such security or other asset, it may effect such transactions by directing the transfer of the securities or other assets between the Company and the other companies, clients or vehicles.

### **Dual directorships**

Mr. Kwan and Dr. Kwan are directors of the Company and the Manager. The fiduciary duties the directors owe to the Company may compete with or be different from the interests of the Manager. Each Director may serve as a director of other investment vehicles and, subject to any applicable confidentiality

requirements, may use information which he or she obtains, produces or utilises in the performance of services for the Company.

At all times, so far as practicable, the Directors will have regard to their obligations to act in the best interests of the Company and will seek to ensure that any conflicts of interest are resolved fairly.

A Director may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested. The Director will not be liable to account to the Company for any profit that the Director derives from such a transaction or arrangement provided the nature and extent of any material interest has been disclosed to the other Directors.

A Director who has an interest in any particular business to be considered at a meeting of the Directors may be counted for the purpose of determining whether the meeting is duly constituted and may vote at such meeting provided that the interest has been disclosed.

Save as disclosed in this EM, no Director has any interest, direct or indirect, in the promotion of, or in any assets which are proposed to be acquired, disposed of by or leased to, the Company. Save as disclosed in this EM, no Director has a material interest in any contract or arrangement entered into by the Company which is unusual in nature or conditions or significant in relation to the business of the Company, nor has any Director had such an interest since the Company was incorporated.

### **Soft Dollar Arrangements**

The Manager may receive goods or services from a broker or a dealer in consideration for directing transaction business for the account of the Company to such broker or dealer provided that (i) the goods or services are of demonstrable benefit to the Company, (ii) the transaction execution is consistent with best execution standards and the brokerage rates are not in excess of customary full service brokerage rates; and (iii) the availability of such goods or services is not the sole or primary purpose for directing transaction business to the broker or dealer.

Goods and services may include research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. The goods and services which the Manager receives will not include any goods and services prohibited from time to time by any codes or guidelines issued by any relevant regulatory authority.

A Company may be deemed to be paying for these services with “soft” dollars. Although the Manager believes that the Company will demonstrably benefit from the services obtained with soft dollars generated by trades, the Company does not benefit from all of these soft dollar services. The Manager and other investment funds/accounts managed by the Manager or its connected persons also derive substantial direct or indirect benefits from these services, particularly to the extent that the Manager uses soft dollars to pay for expenses the Manager would otherwise be required to pay itself.

The relationships with brokerage firms that provide soft dollar services to the Manager may influence the Manager’s judgement in allocating brokerage business and create a conflict of interest in using the services of those brokers to execute transactions. The brokerage commissions paid to those firms, will not, however, differ materially from, nor will they be in excess of, customary full brokerage commissions payable to other firms for comparable services.

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## SUBSCRIPTION FOR SHARES

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### Variable Share Capital

The Company has variable share capital which is divided into Management Shares and Shares, which may be issued in Classes.

The Company has issued 1 Management Share which is held by CASH Wealth Management Limited, with rights provided for in the IOI and subject to Applicable Laws.

The Company may, in its sole discretion, establish additional Classes on terms determined upon their issuance without the consent of or notice to the Shareholders where the rights attached to any existing Class will not be deemed to be varied by the issue of such other Classes ranking pari passu therewith – see “**Summary of the IOI**”. In addition, the Company may, insofar as it is permitted by Applicable Laws, redeem or purchase any of the Shares pursuant to the IOI.

The net proceeds from the sale of Shares of each Class are invested by the Company as described in this EM and the relevant addendum. The rights and restrictions attaching to the Management Shares and the Shares are more particularly set forth under “**Summary of the IOI**”.

The paid-up share capital of the Company is at all times equal to the Net Asset Value of the Company.

### Offering of Shares

|  |   |
|--|---|
| <b>Initial Subscription Price</b>                                    | Class A (HKD): 1,000 per Share<br>Class I (HKD): 1,000 per Share  |
| <b>Initial Issue Date</b>  | 1 <sup>st</sup> September 2022  |
| <b>Initial Offer Period</b>  | 5 <sup>th</sup> August 2022 to 4:00 p.m. (Hong Kong time) on 31 <sup>st</sup> August 2022 (“ <b>Closing Date</b> ”) |
| <b>Base Currency</b>   | HKD   |
| <b>Initial Minimum Subscription (exclusive of initial charge)</b>    | Class A Shares (HKD): 10,000<br>Class I Shares (HKD): 2,000,000   |
| <b>Additional Minimum Subscription (exclusive of initial charge)</b> | Class A Shares (HKD): 500<br>Class I Shares (HKD): 100,000  |
| <b>Minimum Holding</b>   | Class A Shares (HKD): 10,000<br>Class I Shares (HKD): 2,000,000   |
| <b>Subscription Price after Closing Day</b>                          | Net Asset Value per Share of such Class as at the Valuation Point   |
| <b>Dealing Day</b>   | Each Business Day will be a Dealing Day, or such other days as the Directors may determine.                         |

|   |   |
|---|---|
| <b>Dealing Deadline</b>   | 4:00 p.m. (Hong Kong time) on each Dealing Day<br><br>For Shares subscribed during the Initial Offer Period, the applicant shall submit the application form to the Administrator by 4:00 p.m. (Hong Kong time) on the Closing Date.                            |
| <b>Payment of Subscription Amount (inclusive of initial charge)</b> | For Shares subscribed during the Initial Offer Period, payment for such Shares is due by 4:00 p.m. (Hong Kong time) on the Closing Date.<br><br>For Shares subscribed after the Initial Offer Period, by 4:00 p.m. (Hong Kong time) on the relevant Dealing Day |
| <b>Valuation Point</b>  | Close of business of the last relevant market to close on a Dealing Day   |

### **Issue of Shares**

Currently, only Class A and Class I Shares are available for subscription by subscribers on each Dealing Day.

Shares of the Company are denominated in HK dollars.

### **Initial Issue of Shares**

Different classes of Shares may be offered by the Company. Although the assets attributable to all Classes will form one single pool, each Class may have a different fee structure with the result that the Net Asset Value attributable to each Class may differ.

Class A Shares and Class I Shares were initially offered to investors during its Initial Offer Period at HKD1,000 per Share.

The Initial Offer Period for Class A Shares and Class I Shares is set out in the table appearing above. The Initial Offer Period for new Class(es) will be set out in an addendum to this EM.

In respect of applications in writing or by facsimile received by the Manager prior to 4:00 p.m. (Hong Kong time) on the Closing Date, Shares will be issued on the close of the relevant Closing Date.

Applications for subscription of Shares may also be placed through other authorized fund distributors or through other authorized means as may from time to time specified by the Manager in the Manager's webpage: [www.cfsg.com.hk](http://www.cfsg.com.hk). Applicants should note that applications made through such means may involve different dealing procedures, such as earlier application or payment cut-off time. As such, applicants who intend to subscribe Shares through fund distributors other than the Manager or place subscription orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

The Manager may levy an initial charge on the issue of Class A Shares and Class I Shares. The maximum amount of such initial charge is set out in the section titled "**Fees and Expenses**".

### **Subsequent Issue of Shares**

After the relevant Initial Offer Period, applications in writing or by facsimile received by the Manager prior to 4:00 p.m.(Hong Kong time) on a Dealing Day will be dealt with, and Shares will be issued, on

that Dealing Day. Where applications in writing or by facsimile are received after such time or on a day which is not a Dealing Day, they will be carried forward and dealt with on the next Dealing Day.

The Subscription Price (exclusive of any initial charges) of Shares of the relevant Class on a Dealing Day will be calculated by reference to the Net Asset Value per Share of such Class as at the Valuation Point. Please refer to the section titled “**Valuation**”. The Manager may levy an initial charge on the issue of each Class A Share and Class I Share. The maximum amount of such initial charge is set out in the “**Fees and Expenses**” section.

#### *Fiscal charges adjustment*

The Manager has the power, in determining the Subscription Price, to add an amount, for the account of the Company, which it considers to be an appropriate allowance to reflect (a) the difference between the last traded price (or the mean between the last available bid and asked prices) of the Investments and the latest available asked price of such Investments, and (b) all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees and registration fees which would be incurred for the Company in investing an amount equal to that Net Asset Value per Share of the relevant Class, such that the Subscription Price shall be the Net Asset Value per Share of the relevant Class plus such amount.

#### *Swing pricing mechanism*

The Manager will adjust the Subscription Price with a view to protecting the interests of Shareholders under exceptional circumstances as determined by the Manager from time to time. Prior to each such adjustment, the Manager will consult the Custodian prior to any adjustment in the Subscription Price and such adjustment would only be made where the Custodian has no objection to it. Exceptional circumstances for adjusting the Subscription Price may include (a) the aggregate net subscriptions in the Company having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Shareholders. In such circumstances, the Subscription Price of the relevant Class may be adjusted by the addition of an amount (which normally will not exceed 3% of the Net Asset Value per Share of the relevant Class before making any rounding adjustment) which reflects the dealing costs that may be incurred by the Company and the estimated bid/offer spread of the Scheme Property in which the Company invests. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount mentioned above to protect interests of the Shareholders. Any such additional amount will be retained by the Company and will form part of the Scheme Properties of the Company. Any adjustment in the Subscription Price shall be made on a fair and equitable basis.

Applications for subscription of Shares may also be placed through other authorized fund distributors or through other authorized means as may from time to time specified by the Manager in the Manager’s webpage: [www.cfsg.com.hk](http://www.cfsg.com.hk). Applicants should note that applications made through such means may involve different dealing procedures, such as earlier application or payment cut-off time. As such, applicants who intend to subscribe Shares through fund distributors other than the Manager or place subscription orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

### **Application Procedure**

Except otherwise specified by the Manager in its website: [www.cfsg.com.hk](http://www.cfsg.com.hk), applications for Shares must be made by completing the enclosed Application Form and any other relevant application documents and submitting the same to the Manager in person, sending them by post or by facsimile or other means from time to time determined by the Manager and the Administrator (unless the original of any relevant application document is required by the Manager).

Investors/Shareholders should be reminded that if they choose to send the Application Form or other relevant application document(s) by facsimile or any other means without submitting the original, they bear their own risk of the requests not being received or repeatedly received or being illegible. None of the

Manager, the Administrator and/or their respective agents shall be responsible to an investor/Shareholder for any loss resulting from non-receipt or duplicate receipt or illegibility of any relevant application documents sent by facsimile or any other means without submitting the original.

### **Payment Procedure**

Unless otherwise accepted by the Manager, payment for Shares and any applicable initial charge is to be made by telegraphic transfer or bank transfer net of all bank charges (i.e. at the expense of the applicant). Any costs of transfer of application monies to the Company will be payable by the applicant.

Payment for Shares shall be due (i) prior to the close of the relevant Initial Offer Period (for subscriptions during the Initial Offer Period); or (ii) upon issue of the Shares (for subsequent issue). If cleared fund is not received on the relevant due date, the Manager may, without prejudice to any claim against the applicant in respect of the failure to make payment when due, determine in its discretion that the application be cancelled. In such circumstances, the relevant Shares shall be deemed never to be issued.

Application(s) (for subscription of or conversion into different Classes) will not be processed unless the subscription proceeds (payment or in the case of conversion, the redemption proceeds of the Class (es) switched out by the Shares that are used to subscribe to another Class in cleared fund are received.

In addition to other restrictions set out in the EM, no redemption or conversion may be effected until the initial subscription has been completed.

Subscription Amounts must be paid in the currency in which the particular Class being subscribed for is denominated.

However, the Manager reserves the right to accept payment in other currencies from any subscriber/Shareholder, in which case, the number of Shares to be issued shall be calculated based on an exchange rate reasonably determined by the Manager and the Administrator. Any exchange rate risk and costs of conversion will be borne by the subscriber/Shareholder concerned and the subscriber/Shareholder may be required to pay a handling fee.

Cheques and cash are not accepted.

**Investors should note that for payment by telegraphic or bank transfer in Hong Kong dollars to be received for value on a particular day, payment must be made for value in Hong Kong at least one Hong Kong business day preceding such day.**

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activities under Part V of the SFO.

### **General**

Shares issued by the Company will be held for investors in registered form. Certificates will not be issued. A contract note will be issued upon acceptance of an investor's application and will be forwarded by ordinary post (at the risk of the person entitled thereto). A contract note may also be provided by other electronic medium (e.g. through the website of the Manager) provided that the relevant Shareholder has consented to the use of such means and operational safeguards that ensure adequate notice and access being given to the Shareholders in the provision of the contract note have been put in place.

Fraction of a Share rounded to the nearest 2 decimal places or such other number of decimal places (if any) may be issued (unless the Manager otherwise determines generally or for any particular Class or Classes). Any such rounding will be retained for the benefit of the Company.

The Manager has an absolute discretion to accept or reject in whole or in part any application for Shares. If an application is rejected, Subscription Amounts will be returned without interest by cheque through the

post at the risk of the person(s) entitled thereto or through bank transfer. Without limiting the generality of the foregoing, the Manager may reject any application for subscription, redemption or conversion where insufficient information is being provided or in case there is any error or omission in the information provided. No Shares will be issued where the determination of the Net Asset Value of the Company is suspended. Please refer to the section titled “**Suspension**”.

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## REDEMPTION OF SHARES

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|                                       |  |
|---------------------------------------|--|
| <b>Minimum Redemption Amount</b>      | Class A Shares (HKD): 10,000<br>Class I Shares (HKD): 2,000,000  |
| <b>Redemption Price</b>               | Net Asset Value per Share of such Class as at the Valuation Point.   |
| <b>Dealing Day</b>                    | Each Business Day will be a Dealing Day, or such other days as the Directors may determine.  |
| <b>Dealing Deadline</b>               | 4:00 p.m. (Hong Kong time) on each Dealing Day<br><br>For Shares redeemed after the Dealing Deadline, redemption requests received by the Manager will be carried forward and dealt with on the next Dealing Day by the Administrator. |
| <b>Payment of Redemption Proceeds</b> | Within 5 Business Days from the relevant Dealing Day for the redemption of Shares.   |
| <b>Valuation Point</b>                | Close of business of the last relevant market to close on a Dealing Day  |

### Redemption of Shares

Subject as mentioned below, any Shareholder may redeem its Shares on any Dealing Day in whole or in part.

No redemption charge will be levied for the redemption of Class A Shares and Class I Shares. If redemption charge is imposed on any new Class(es), the details of the redemption charges will be set out in the relevant addendum to this EM.

A redemption request must be submitted to the Manager in person, sending it by post or by facsimile or through other authorized means as may from time to time specified by the Manager and the Administrator (unless the original is required by the Manager) and must specify:

- (a) the name of the relevant Class;
- (b) the number of Shares or the amount of monies to be redeemed;
- (c) the name(s) of the registered holder(s); and
- (d) payment instructions for the redemption proceeds. Shareholders should be reminded that if they choose to send redemption requests by facsimile or any other means without submitting the original, they bear their own risk of the requests not being received or repeatedly received or being illegible. None of the Manager, the Administrator and/or their respective agents shall be responsible to a Shareholder for any loss resulting from non-receipt or duplicate receipt or illegibility of any redemption request sent by facsimile or any other means without submitting the original.

Applications for redemption of Shares may also be placed through other authorized fund distributors or made through other authorized means as may from time to time specified by the Manager in the Manager's

webpage: [www.cfsg.com.hk](http://www.cfsg.com.hk). Shareholders should note that applications made through such means may involve different dealing procedures, such as earlier cut-off time. As such, Shareholders who intend to redeem Shares through fund distributors other than the Manager or place redemption orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

Redemption requests in writing or by facsimile received by the Manager prior to 4:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with on that Dealing Day. Redemption requests in writing or by facsimile received by the Manager after such time or on a day which is not a Dealing Day will be carried forward and dealt with on the next Dealing Day.

Shares of the relevant Class redeemed on a Dealing Day will be redeemed at a price calculated by reference to the Net Asset Value per Share of that Class as at Valuation Point on that Dealing Day. Please refer to the section titled “**Valuation**”.

#### *Redemption gate*

With a view to protecting the interests of all Shareholders relating to a Class, the Manager in consultation with the Custodian may limit the total number or total Net Asset Value of Shares of any Class which Shareholders are entitled to redeem on any Dealing Day to 10% of the total net asset value in issue and redemption requests in excess of 10% of the total net asset value will be deferred to the next Dealing Day. Where the Manager exercises this power:

- (a) subject to paragraph (b), this limitation will be applied pro rata to all Shareholders of Shares relating to the relevant Class who have validly requested redemption to be effected on such Dealing Day so that the proportion redeemed of each holding so requested to be redeemed is the same for all such Shareholders;
- (b) Shares that are not redeemed because of the exercise of this power will be redeemed on the next succeeding Dealing Day for such Shares (subject to any further exercise of this power on any subsequent Dealing Day);
- (c) any part of a redemption request to which effect is not given by reason of the exercise of this power will be treated as if the request had been made with priority in respect of the next Dealing Day and all following Dealing Days (in relation to which the Directors has the same power) until the original request has been satisfied in full; and
- (d) if requests for redemption are carried forward pursuant to this Clause, the Manager will give notice to affected Shareholders that the relevant Shares have not been redeemed and that (subject to any further exercise of this power on any subsequent Dealing Day) such Shares will be redeemed on the next succeeding Dealing Day for the relevant Class.

#### *Fiscal charges adjustment*

The Manager may, when determining the Redemption Price, deduct an amount, for the account of the Company, which it considers to be an appropriate allowance to reflect (a) the difference between the last traded price (or the mean between the last available bid and asked prices) of the Investments of the Company and the latest available bid price of such Investments, and (b) all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees and registration fees which would be incurred for the account of the Company in realising assets or closing out positions to provide funds to meet any redemption request, such that the Redemption Price shall be the Net Asset Value per Share of the relevant Class less such amount.

#### *Swing pricing mechanism*

The Manager will adjust the Redemption Price with a view to protecting the interests of Shareholders under exceptional circumstances as determined by the Manager from time to time. Prior to each such adjustment, the Manager will consult the Custodian prior to any adjustment in the Redemption Price and such adjustment would only be made where the Custodian has no objection to it. Examples of such exceptional circumstances for adjusting the Redemption Price may include (a) the aggregate net redemptions in Shares having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Shareholders. In such circumstances, the Redemption Price may be adjusted by the deduction of an amount (which normally will not exceed 3% of the Net Asset Value per Share of the relevant Class before making any rounding adjustment) which reflects the dealing costs that may be incurred by the Company and the estimated bid/offer spread of the Scheme Property in which the Company invests. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount mentioned above to protect interests of the Shareholders. Any such additional amount will be retained by the Company and will form part of the assets of the Company. Any adjustment in the Redemption Price shall be made on a fair and equitable basis.

### **Payment of Redemption Proceeds**

Except otherwise waived by the Manager, redemption proceeds will not be paid to any redeeming Shareholder until (a) the written receipt of the redemption duly signed by the Shareholder has been submitted to the Manager in person, sent by post or by facsimile or other means from time to time determined by the Manager and the Administrator (unless the original is required by the Manager) and received by or on behalf of the Manager and (b) where the Administrator so requires, the signature of the Shareholder (or each joint Shareholder) has been verified to the satisfaction of the Administrator.

Shareholders should be reminded that if they choose to send redemption requests by facsimile or any other means without submitting the original, they bear their own risk of the requests not being received or repeatedly received or being illegible. None of the Manager, the Administrator and/or their respective agents shall be responsible to a Shareholder for any loss resulting from non-receipt or duplicate receipt or illegibility of any redemption request sent by facsimile or any other means without submitting the original.

Redemption proceeds will be paid in the currency in which the particular Class being redeemed are denominated.

Where the Manager is unable to convert any RMB proceeds derived from realisation of RMB denominated investments to HK dollars as a result of the existence of any circumstance that is beyond the reasonable control of the Manager, such as exchange restrictions or other legal or regulatory requirements, the Manager reserves the right to pay redemption proceeds in RMB.

A request for redemption once given cannot be revoked without the consent of the Manager.

Shareholders may, however, request the proceeds to be paid in other currencies, in which case, the proceeds will be converted to the requested currency at the prevailing exchange rate. Any exchange rate risk will be borne by the Shareholder concerned and the Shareholder may be required to pay a handling fee.

Subject as mentioned above and so long as relevant account details have been provided, redemption proceeds will be paid by telegraphic or bank transfer (less the cost of effecting such telegraphic or bank transfer), normally within 5 Business Days after the relevant Dealing Day and in any event within one month of the relevant Dealing Day, unless payment of redemption proceeds has been suspended or, if later, after duly completed redemption documentation has been submitted to the Manager in person, sent by post or by facsimile or other means from time to time determined by the Manager (unless the original is required by the Manager) and received by the Manager. Please refer to the section titled “**Redemption of Shares**”. Request by the redeeming Shareholder to make the payment to a third party will not be accepted unless approval is obtained from the Manager or additional supporting documents as may be required by the Manager or the Administrator are provided or the relevant requirement is waived by the Manager. Where a redemption request provides for the redemption proceeds to be paid to any person other than the

registered Shareholder(s) or to be paid by telegraphic or bank transfer to a bank account in Hong Kong, the signature of the Shareholder or (in the case of joint Shareholders) each Shareholder on that redemption request must be verified to the satisfaction of the Administrator. If relevant account details are not provided, redemption proceeds will be paid to the redeeming Shareholder (or to all Shareholders in case of joint Shareholders) at the Shareholder's risk by cheque in HK dollars (or the currency in which the particular Class being redeemed are denominated). In the case of joint Shareholders, the cheque will be drawn in the names of all Shareholders. Bank charges (if any) incurred in making payment will be borne by the redeeming Shareholder and accordingly will be deducted from the redemption proceeds.

### **Compulsory Redemption**

If the Manager reasonably suspects that Shares of any Class are owned directly, indirectly or beneficially by any person:

- (a) in contravention of any Applicable Law or requirements of any country, any governmental authority or any stock exchange on which such Shares are listed;
- (b) in circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which in their opinion might result in the Class of Shares, the Company, the Directors, the Custodian, the Manager, the Administrator, any other service provider to the Company and/or other Shareholder incurring any liability to taxation or requiring registration with any regulatory authority or suffering any other pecuniary disadvantage or would subject the Company, the Directors, the Custodian, the Manager, the Administrator, any other service provider to the Company or other Shareholders to any additional regulation which such party might not otherwise have incurred or suffered or been subject to; or
- (c) in breach of any eligibility requirements specified in this EM in relation to the relevant Class,

The Manager acting in good faith and the best interests of Shareholders and in compliance with any Applicable Law:

- (a) give notice requiring the relevant Shareholder to transfer the Shares in respect of such Shares to a person who would not be in contravention of the above restrictions within 30 days of the date of the notice; or
- (b) deem receipt of a redemption request from the relevant Shareholder in respect of such Shares; or
- (c) take such other actions as they reasonably believe are required by Applicable Law.

Where the Manager has given such notice and the Shareholder has failed to either (i) transfer the relevant Shares within 30 days of the date of the notice, or (ii) establish to the satisfaction of the Manager (whose judgment is final and binding) that the relevant Shares are not held in contravention of any of the restrictions set out above, the Shareholder is deemed to have given a redemption request in respect of the relevant Shares on the expiry of the notice. Subject to Applicable Law, the Manager may deem a Shareholder to have given a redemption request in respect of Shares held by such Shareholder:

- (a) in order to give effect to the termination of a Class pursuant to (a) 12 months from the date of the first issue or at any date thereafter the NAV is less than HKD10,000,000 or its equivalent in the Base Currency; or (b) if any Applicable Law renders it illegal or in the reasonable opinion of the Manager impracticable or inadvisable to continue the Company; or (c) if the Company ceases to be authorised by the Commission pursuant to the SFO, or if the Commission directs under the SFO or any other competent governmental authority directs that the Company be terminated;

- (b) where the Shareholder has refused or failed to provide or produce to the satisfaction of the Company or its duly authorized agent(s) any document or information reasonably required to ensure compliance with the Applicable Law; or
- (c) where the Company or its duly authorized agent(s) is not able to confirm the identity of the Shareholder to their reasonable satisfaction.

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## CONVERSION OF SHARES

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Shareholders may request to convert any or all of their Shares for another Class, if available, unless the Directors determine otherwise.

Subject to the Applicable Law, the IOI and any restrictions on conversion of Shares in the Company set out in the Offering Documents, where Shares are issued in more than one Class, Shareholders may convert all or part of their holding of Shares of any Class (“**Existing Class**”) into Shares of any other Class (“**New Class**”). The following provisions shall apply to any such conversion:

A completed conversion request must be sent to the Administrator by facsimile at its fax number or other means agreed by the Manager and the Administrator so as to be received by no later than 4:00 p.m.(Hong Kong time) on any Dealing Day (or such other period as the Directors may generally or in any particular case determine) prior to the relevant Switching Dealing Day (“**Switching Dealing Day**”). The Switching Dealing Day will be the Dealing Day of both the New Class and the Existing Class. A conversion will be effected by way of a redemption of Shares (“**Conversion Shares**”) of the Existing Class which would result in the crystallization of the accrual of performance fees payable in respect of the Conversion Shares and a simultaneous subscription for Shares of the New Class at the most recent Subscription Price of the New Class. No initial charge will apply to the Shareholder in relation to the conversion of Conversion Shares effected as set out above. The conversion of Conversion Shares will be recorded and entered into the Register of the relevant Class, except that no actual cash movement of redemption proceeds will be paid to the relevant Shareholder as a result of the conversion.

Original copies must be sent to the Administrator unless agreed otherwise by the Directors. The Directors may reject any conversion request in whole or part and without giving any reason for doing so. Unless otherwise agreed by the Directors (which agreement may be withheld), Shareholders will not be entitled to withdraw or cancel a conversion request once received and accepted by the Company.

Shares shall not be converted during any period when the determination of the Net Asset Value of any relevant Class is suspended pursuant to the IOI or when the Manager has determined that subscriptions for Shares of the New Class or redemptions of Shares of the Existing Classes are closed.

The conversion of Shares will be subject to the Shareholder maintaining the minimum holding of Shares in each Class in which the Shareholder holds/will acquire Shares in the Company, and the Shareholder’s subscription of Shares in any Class will be subject to it satisfying any eligibility requirements in relation to the shares to be acquired.

Prospective Shareholders should carefully consider the sections headed “**Shareholder’s Rights**” and “**General Information**”.

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## **DISTRIBUTION AND REINVESTMENT POLICY**

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The Company does not intend to make distributions upon the authorization of the Company.

The Directors may amend the distribution policy with respect to charging or payment of fees and/or payment of dividends out of capital subject to Commission's prior approval (where applicable) and by giving not less than one (1) month's prior notice to Shareholders.

## FEES AND EXPENSES

| <b>Charges which may be payable by Shareholders</b>  |  |                       |                                      |                       |
|--|--|-----------------------|--------------------------------------|-----------------------|
|  | <b>Current</b>   |                       | <b>Maximum</b>                       |                       |
|  | <b>Class A Shares</b>  | <b>Class I Shares</b> | <b>Class A Shares</b>                | <b>Class I Shares</b> |
| <b>Initial Charge</b><br>(% of Subscription Price)   | Up to 1%   | Up to 1%              | 5%                                   | 5%                    |
| <b>Conversion Fee</b><br>(% of the Subscription Price of the New Class)  | Nil  | Nil                   | 0.1%                                 | 0.1%                  |
| <b>Redemption Charge</b><br>(% of Redemption Price)  | Nil  | Nil                   | 5%                                   | 5%                    |
| Investors may be subject to adjustments given fiscal charges imposed when they subscribe, redeem or convert Shares of the Company. For details, please refer to “ <b>Adjustments of Prices</b> ” under the section headed “ <b>Valuation</b> ” of this EM. |  |                       |                                      |                       |
| <b>Ongoing fees payable by the Company</b>   |  |                       |                                      |                       |
|  | <b>Current</b>   |                       | <b>Maximum</b>                       |                       |
|  | <b>Class A Shares</b>  | <b>Class I Shares</b> | <b>Class A Shares</b>                | <b>Class I Shares</b> |
| <b>Management Fee</b><br>(% Net Asset Value of the Company per annum)  | 1.5%   | 1%                    | 3%                                   | 3%                    |
| <b>Performance Fee</b>   | 10% (for Class A Shares) and 8% (for Class I Shares) based on the increase in the Net Asset Value of the Class in the relevant Performance Period calculated annually on a high-on-high basis. Please refer to the section titled “ <b>Performance Fees</b> ” below. |                       |                                      |                       |
| <b>Registrar, Custodian and Administration Fee</b><br>(% Net Asset Value of the Company per annum)   | Up to 0.2%, subject to a monthly minimum fee of HKD40,000  |                       | 2%, subject to a monthly minimum fee |                       |
| <b>Establishment Costs</b>   | The costs for the incorporation of the Company were HKD1,000,000 and were borne by the Manager. The Manager will seek reimbursement from the Company which will amortise these costs over a period of 60 months from the Closing Date.                               |                       |                                      |                       |
| <b>General Expenses</b>  | Please refer to the section titled “ <b>General Expenses</b> ” below for details.  |                       |                                      |                       |

### **Notice for Fee Increase**

Shareholders shall be given not less than one month’s prior notice should there be any increase of the management fee, performance fee, Custodian or the Administration fee.

## Directors' remuneration

The Directors will determine the remuneration (if any) payable from the assets of the Company to each Director from time to time. It is the current intention that no Directors' remuneration will be charged. The Company will also pay expenses properly incurred by the Directors in the conduct of the Company's business including travel and other expenses, from the assets of the Company.

## Manager's Fees

### Management Fee

The Manager is entitled to receive in respect of the Company (or any Class of Shares thereof), a management fee calculated and accrued as at the Valuation Point and payable monthly in arrears as a percentage of the Net Asset Value of the Company (or such Class of Shares) as at each Dealing Day at the rates as specified in the section titled "**Fees and Expenses**" of this EM, subject to a maximum fee as specified in the section titled "Fees and Expenses" of this EM.

### Performance Fees

#### (A) General

The IOI provides that the Manager is entitled to a performance fee in respect of the Company ("**Performance Fee**"). The performance fee will be calculated and accrued on each Dealing Day and will be payable in arrears after the end of each Performance Period (as defined below). The Performance Fee in respect of each Share will be equal to a percentage rate of the appreciation in the NAV per Share during the relevant Performance Period above the High Watermark (as described below) for the relevant Class.

For each Class of Shares, the period during which performance fee will be assessed is the "**Performance Period**". Each Performance Period is the period (of approximately 12 months' duration) from and including the first Dealing Day up to and including the last Dealing Day of each Financial Year. The first Performance Period for each Class of Shares will be the period commencing from the Closing Date of the relevant Class of Shares up to and including the last Dealing Day of each Financial Year.

#### (B) Performance Fee Calculation

The following formula illustrates how the Performance Fee is calculated and accrued on a particular Dealing Day (assuming that the NAV per Share on such Dealing Day is higher than the High Watermark for the relevant Class):

$$(a - b) \times c \times d$$

Where

"a" is the NAV per Share on the relevant Dealing Day (prior to deduction of any provision for performance fee and any distribution declared or paid in respect of that Performance Period) of the last Valuation Day of a Performance Period;

"b" is the High Watermark, which is the higher of, for the relevant Class:

- (i) The Initial Subscription Price for each Class during the initial Performance Period; and
- (ii) The NAV per Share as at the end of the previous Performance Period in respect of which a performance fee was paid (after deduction of all fees including the performance fee and any distribution declared or paid);

“(a-b)” means the outperformance of NAV per Share, i.e. the amount by which the increase in NAV per Share during the relevant Performance Period exceeds the High Watermark.

“c” is the rate of performance fee payable.

“d” is the average number of Shares in the relevant Performance Period, calculated by adding the total number of Shares as at the Valuation Point on each Dealing Day of the relevant Performance Period divided by the total number of Dealing Days in such Performance Period.

*(C) Performance Accrual*

Where a performance fee is payable for a Performance Period, the NAV per Share on the relevant Dealing Day will be set as the High Watermark for the relevant Class for the next Performance Period. On each Dealing Day, the Performance Fee accrual made (if any) on the previous Dealing Day will be reversed and a new Performance Fee accrual will be calculated. If the NAV per Share is lower than or equal to the High Watermark, any Performance Fee accrual will be reversed and no Performance Fee will be accrued.

If any Shares are redeemed on a Dealing Day, the Performance Fee accrued in respect of such Shares will be crystallised on that Dealing Day. The Performance Fee will then become payable to the Manager at the end of the Performance Period.

The NAV per Share at which Shareholders subscribe or redeem Shares at different times will be affected by the amount of Performance Fee accrual embedded in the Net Asset Value of the Company. The Net Asset Value of the Company may vary every day and is, in turn, impacted by the performance of the Company and the level of subscriptions and redemptions of the Company at different times during the Performance Period. No adjustments will be made to the calculation of the NAV per Share to take into consideration the effect of subscriptions and redemptions, as identified above.

Investors should note that neither the Company nor the Manager has adopted equalisation or series accounting methodology for the purposes of determining the Performance Fee payable to the Manager. The use of equalisation or series accounting methodology seeks to ensure that the Performance Fee payable by a Shareholder is directly referable to the specific performance of such investor’s Shareholding in the Company. The current methodology for calculating the Performance Fee set out above involves adjusting the Subscription Price and Redemption Price to make provision for accrual of Performance Fee upon the issuance and redemption of Shares during the Performance Period. Investors may, therefore, be advantaged or disadvantaged as a result of this method of calculation, depending upon the NAV per Share at the time an investor subscribes or redeems relative to the overall performance of the Company during the relevant Performance Period and the timing of subscriptions and redemptions of Shares from the Company during the course of such Performance Period.

Therefore, if an investor subscribes to the Company during a Performance Period when the NAV per Share is below the High Watermark, and who subsequently redeems its Shares prior to the end of such Performance Period when the NAV per Share has increased up to (but does not exceed) the High Watermark as at the time of redemption will be advantaged as no Performance Fee will accrue and the Shareholder will not bear any Performance Fees payable to the Manager in such circumstance. Conversely, if an investor who subscribes to the Company during a Performance Period when the NAV per Share is above the High Watermark will pay a reduced Subscription Price which does not make provision for Performance Fee because that provision will have been accrued and taken into account in calculating the Subscription Price as at the relevant Dealing Day. If the investor subsequently redeems prior to or at the end of such Performance Period when the NAV per Share at the time of redemption has decreased (but remains above the High Watermark), the Shareholder may be disadvantaged as the Shareholder would be required to bear its portion of Performance Fees calculated based on the increase in the NAV per Share above the High Watermark accrued during the relevant Performance Period.

As a result of the foregoing, there is a risk that a Shareholder redeeming Shares may incur Performance Fee in respect of the Shares, even though a loss in investment capital has been suffered by the redeeming Shareholder.

*(D) Illustrative examples*

The examples below are shown for illustration purposes only and may contain simplifications. Assumptions:

- (a) The Initial Subscription Price for the relevant Share is HKD100.
- (b) The Performance Fee payable is 10% of the increase in the NAV per Share during a Performance Period above the High Watermark
- (c) First Performance Period (NAV per Share above High Watermark at the end of the Performance Period – Performance Fee payable):
  - (i) Investor A subscribes for one Share during the Initial Offer Period at the Initial Subscription Price. Thereafter, Investor B subscribes for one Share within the first Performance Period at a Subscription Price of HKD110. High Watermark is the Initial Subscription Price, which is HKD100.
  - (ii) By the end of the first Performance Period, the NAV per Share is HKD105. The outperformance of NAV per Share is thus HKD5. The average number of Shares on this Dealing Day is 2 Shares.
  - (iii) The total Performance Fee payable by the Company would be calculated as:  
$$(\text{HKD}105 - \text{HKD}100) \times 10\% \times 2 \text{ Shares} = \text{HKD}1.$$
- (d) At the end of the first Performance Period, the NAV per Share will be reduced by HKD0.50. In effect, Investor A and Investor B, respectively, will have borne the HKD0.50 Performance Fee in respect of the first Period.
- (e) Second Performance Period (NAV per Share below High Watermark on a particular Dealing Day – no Performance Fee accrual; NAV below High Watermark at the end of Performance Period – no Performance Fee payable):
  - (i) At the beginning of the second Performance Period, the High Watermark is HKD104.50 (being the NAV per Share at the end of the last Performance Period in respect of which a Performance Fee was paid (after deduction of all fees including performance fees and expenses and any distribution declared or paid in respect of that Performance Period)).
  - (ii) Mid-way through the second Performance Period, the NAV per Share is HKD98.50. Investor A redeems his Share. Investor C subscribes for one Share. On this Dealing Day, the NAV per Share is below the High Watermark. Therefore, no Performance Fee is accrued in respect of the Share redeemed by Investor A.
  - (iii) At the end of the second Performance Period, the NAV per Share becomes HKD102.50. There has been no outperformance of NAV per Share. No Performance Fee is, therefore, payable in the second Performance Period.

## General

The Manager is also entitled to receive various transaction and processing fees as agreed with the Company from time to time and to be reimbursed by the Company (or the relevant Class) properly incurred by it in the performance of its duties.

The Manager is also entitled to receive and retain the initial charge, redemption charge and conversion charge on the issue, redemption or conversion of any Shares, at the rates as specified above in this EM.

The Manager reserves the right to waive or rebate any fees to which it is entitled, whether in part or in full and whether in respect of a particular investor or generally. The Manager may share any fees it receives with any person(s) as it deems appropriate.

The Manager may share any fees, charges or amounts it is entitled to receive as Manager of the Company with any persons who distribute or otherwise procure subscriptions to the Company.

## Registrar, Custodian and Administration Fee and Expenses

The Custodian and Administrator is entitled to receive a fee which is charged as a percentage of the Net Asset Value of the Company on each Dealing Day, at the rates specified in the section titled “**Fees and Expenses**” of this EM and subject to a minimum monthly fee (if any) as specified in the section titled “**Fees and Expenses**” of this EM.

The Custodian and Administration Fee, which is inclusive of the Custodian, Administrator and registrar’s fee, is calculated as at the Valuation Point and accrued on each Dealing Day and payable monthly in arrears out of the assets of the Company. The fee payable to the Custodian and Administrator is subject to a maximum rate as specified in the section titled “**Fees and Expenses**” of this EM.

The Custodian is also entitled to (among others) transaction charges at customary market rates and safekeeping fees at different rates, largely depending on the investment instruments concerned as well as the markets where the Custodian is required to hold the Company’s assets. Such fees will be paid monthly in arrears, out of the assets of the Company. The Custodian will also be entitled to reimbursement by the Company for any out-of-pocket expenses or third party charges incurred in the course of its duties.

It is also entitled to receive various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the Company for all out-of-pocket expenses properly incurred by it in the performance of its duties.

## General Expenses

The Manager is responsible for providing all personnel, office space and facilities required for the performance of its services.

The Company will bear charges and deduct payments out of the assets of the Company, including but not limited to: (i) establishment costs; (ii) fees and expenses of service providers, advisers, consultants and the Custodian, (iii) the Management Fee and Performance Fee, (iv) expenses incurred by the Manager in connection with the Company, (v) fees and expenses of any Custodian, escrow agent and other investment related service providers appointed by the Company, (vi) indemnification expenses and the cost of insurance against potential indemnification liabilities, (vii) legal, registration, regulatory fees and similar charges, administrative, accounting, tax, audit and insurance expenses, (viii) all registration fees, taxes and corporate fees payable to any relevant government, agency or regulatory authority, (ix) expenses with respect to investor communications, including expenses of meetings of Shareholders and costs of preparing, printing and distributing Annual Reports and other documents, (x) Directors’ fees (if any) and expenses, and (xi) litigation or other extraordinary expenses.

Indemnification expenses and the cost of insurance against potential indemnification liabilities; interest and other borrowing expenses shall be an operating expense of the Company. Such operating expenses shall not include charges related to the corporate and regulatory administration of the Company within Hong Kong. The Company will not bear any placement agent fees. No reimbursement shall be made to the Manager for any expenses (such as communication, travel, office rent and research) incurred by the Manager in providing investment management services to the Company.

The expense paid/borne by investors, as well as, charges and expenses below shall be excluded from the “General Expenses” section listed above: (a) entry/exit charges or commissions, or any other amount paid directly by the investor or deducted from a payment received from or due to the investor; (b) interest expenses; (c) except transaction based payments made to key operators providing services to the OFC and outsourced service parties of these key operators, payment to third parties regarding costs incurred in relation to the acquisition or disposal of Scheme Properties (e.g. brokerage fees and costs of dealings in securities); (d) payments incurred for the holding of financial derivative instruments e.g. margin calls, costs incurred from swap transactions; (e) value of goods or services received by the Manager or any connected person in exchange for placing of dealing orders e.g. soft commissions or similar arrangement; (f) realized/unrealized foreign exchange gains and losses of the Company; (g) withholding tax and capital gains tax; and (h) dividends paid to investors.

### **Establishment Costs**

The establishment costs will be amortised over 60 months from the Closing Date and as specified in the IOI or such other period as determined by the Manager after consultation with the Auditor. Investors should also note that under HKFRS, establishment costs should be expensed as incurred and that amortisation of the expenses of establishing the Company is not in accordance with HKFRS; however, the Manager has considered the impact of such non-compliance and has considered that it will not have a material impact on the financial statements of the Company. To the extent that the accounting basis adopted by the Company deviates from HKFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with HKFRS.

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## VALUATION

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### Determination of Net Asset Value

The Net Asset Value attributable to a Share of a particular Class of the Company as at the Valuation Point shall be determined as follows:-

- (a) by calculating the Net Asset Value of the Company as at that time excluding any assets or liabilities which are specifically attributable to any particular Class related to the Company;
- (b) by apportioning the resulting amount between the Classes related to the Company by reference to the respective Net Asset Values of each such Class immediately prior to the relevant Valuation Point; and
- (c) by deducting the liabilities and adding any assets specifically attributable to the relevant Class of share.

In order to determine the Net Asset Value of a share of a particular Class related to the Company, the Net Asset Value of such Class shall be divided by the number of shares of that class in issue immediately prior to the relevant Dealing Day for such class of shares, rounded down to 2 decimal places. Any amount corresponding to such rounding will accrue to the Company.

The Subscription Price and Redemption Price of each Share after the Closing Date shall be the Net Asset Value per Share of the Class as at the Valuation Point, as determined by the Manager in accordance with paragraph (a),(b) and (c) above.

### Valuation of Scheme Properties

For the purposes of calculating the NAV of the Company, the assets will be valued in accordance with the following principles:

- (a) Any security which is listed or quoted on any securities exchange or similar electronic system and regularly traded thereon will be valued at its last traded price as at the Valuation Point, and as adjusted in such manner as the Manager thinks fit, having regard to the size of the holding. Where prices are available on more than one exchange or system for a particular security the price will be the last traded price or closing bid or offer price, as the case may be, on the exchange which constitutes the main market for such security or the one which the Manager, in consultation with the Custodian, determines provides the fairest criteria in ascribing a value to such security.
- (b) Any security which is not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available will be valued at its probable realisation value as at the Valuation Point, as determined by a professional person approved by the Custodian being qualified to value such investments. Such professional person may, with the approval of the Custodian, be the Manager. The Manager will have regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue, and such other factors as the Manager, in consultation with the Custodian, deems relevant in considering a positive or negative adjustment to the valuation.
- (c) Investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued as at the Valuation Point by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. If there is no such price, then the average will be taken between the lowest offer price and the highest bid price as at the Valuation Point on any market on which such Investments are

or can be dealt in or traded, provided that where such Investments are dealt in or traded on more than one market, the Manager may, in consultation with the Custodian, determine which market shall prevail.

- (d) Investments, other than securities, including over-the-counter derivative contracts, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the valuation obtained from an independent pricing source, but where no such valuation is available for a particular Investment, the Investment will be valued by comparing the latest available valuation provided by the relevant counterparty against the valuation provided by such other counterparties as the Manager, in consultation with the Custodian, deems appropriate. If the valuations provided respectively by the relevant counterparty and the other counterparties differ to an extent that the Manager considers to be material, the Investment shall be valued on the basis of the average of all of the valuations but otherwise will be valued on the basis of the valuation provided by the relevant counterparty.
- (e) Deposits will be valued at their cost plus accrued interest.
- (f) Except in the case of any interest in a unit trust, mutual fund corporation, open-ended investment company or other similar open-ended investment vehicle (a “**managed fund**”) to which paragraph (g) applies and subject as provided in paragraphs (h), (i) and (k) below, all calculations based on the value of Investments quoted, listed, traded or dealt in on any stock exchange commodities exchange, futures exchange or over-the-counter market shall be valued at the last traded price on the principal exchange for such Investments as at the Valuation Point; if there is no stock exchange, commodities exchange, futures exchange or over-the-counter market all calculations based on the value of Investments quoted by any person, firm or institution making a market in that Investment (and if there shall be more than one such market maker then such particular market maker as the Manager may designate) shall be made by reference to the price quoted thereon; provided always that if the Manager, in consultation with the Custodian, considers that the prices ruling on an exchange other than the principal exchange provide in all the circumstances a fairer criterion of value in relation to any such Investment, it may adopt such prices.
- (g) Subject as provided in paragraphs (h), (i) and (k) below, units or shares in any managed funds or open-ended investment schemes will be valued and the net asset value per unit, share or other interest will be calculated, as at the same day as the Company’s Net Asset Value, or, if such managed funds and/or investment scheme is not valued as at the same day as the Company, at a day the Manager, in consultation with the Custodian, so determines, or the last published net asset value per unit, share or other interest in such managed fund (where available) or (if the same is not available) bid price for such unit, share or other interest shall be used.
- (h) In particular, if there are no price quotations available for the valuation of the managed fund, it shall be calculated in accordance with the values published, or reported in writing to the Company as at the relevant Dealing Day, by or on behalf of the managed fund, or if the managed fund is not valued as at the relevant Dealing Day, shall be the latest published or reported value. The Manager, in consultation with the Custodian, make adjustments to the valuation. In performing the calculations, the Manager shall be entitled to rely on the unaudited valuations and reports and estimated valuations received from third parties, including the managed fund and its administrator, agents, investment manager or advisor, or other dealing subsidiary and shall not be responsible for verifying nor shall they be required to verify either the contents or veracity of such valuations and reports.
- (i) If the net asset value, bid and offer prices or price quotations are not available as provided in paragraphs (f) and (g) above, the value of the relevant assets as at the Dealing Day shall be determined with care and in good faith by the Manager, in consultation with the Custodian..
- (j) For the purpose of ascertaining quoted, listed, traded or market dealing prices, the Manager, the Administrator or their agents shall be entitled to use and rely upon mechanised and/or electronic

systems of valuation dissemination with regard to valuation of Investments and the prices provided by any such system shall be deemed to be the last traded prices for the purpose of paragraph (f) above.

- (k) Any value (whether of a security or cash) otherwise than in Base Currency shall be converted into the Base Currency at the rate which the Manager shall, in their absolute discretion, deem appropriate in the circumstances having regard, inter alia, to any premium or discount which they consider may be relevant and to costs of exchange.
- (l) Notwithstanding the foregoing, the Manager or its agents may, in consultation with the Custodian, permit the use of other method of valuation that the Manager or its agents, in consultation with the Custodian, consider fair and reasonable or otherwise in accordance with the relevant accounting principles or standards applied by the Company.

The term “last traded price” referred to in paragraph (f) above, refers to the last traded price reported on the exchange for the day, commonly referred to in the market as the “settlement” or “exchange price”, and represents a price at which members of the exchange settle between them for their outstanding positions. Where a security has not traded then the last traded price will represent the “exchange close” price as calculated and published by that exchange in accordance with its local rules and customs.

The financial statements/Annual Reports will be prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and as further described in the section headed “**Financial Statements and Reports**”. Investors should note that the above valuation policies may not necessarily comply with HKFRS. Under HKFRS, Investments should be valued at Fair Value and bid and ask/offer pricing is considered to be representative of Fair Value for long and short listed investments respectively. However, under the valuation basis described above, listed Investments are expected to be valued at the last traded price instead of bid and ask/offer pricing as required under HKFRS. The Directors have considered the impact of such non-compliance and does not expect this issue to materially affect the results and NAV of the Class or any Scheme Property. To the extent that the valuation basis adopted by the Company deviates from HKFRS, the Manager may be required to make adjustments in the financial statements/Annual Reports of the Company in order to comply with HKFRS.

### **Delegation of Valuation and Pricing Functions**

The IOI provides that the Directors shall delegate all functions in respect of valuation and pricing (including adjustments thereto) of the assets of the Company and Shares to the Manager. Subject to the above, the Manager has delegated to the Administrator the calculation of the NAV and the NAV per Share.

The Administrator shall not be liable to the Company for any loss, liability, claim, cost or expense suffered by any person as a result of the Administrator having relied absolutely or in part upon the authority, accuracy, truth and completeness of information furnished by any pricing sources selected by the Company in the course of the Administrator discharging its duties with respect to Net Asset Value calculations.

Prospective investors should be aware that situations involving uncertainties as to the valuation of portfolio positions could have an adverse effect on the NAV determination if judgments regarding appropriate valuations should prove incorrect. Absent bad faith or manifest error, the Manager’s determination of NAV is conclusive and binding on all Shareholders and prospective investors.

Fees and expenses that are identifiable with a particular Class will be charged against that relevant Class in computing its NAV such as fees of the Administrator. Other fees and expenses will be charged to the relevant Class based on their respective NAV or otherwise in the discretion of the Manager.

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## SUSPENSION

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Subject to Applicable Law and after consultation with the Custodian, the Manager may, having regard to the best interests of Shareholders, suspend (i) the determination of the Net Asset Value of the Company or of any Class, (ii) the allotment or the issuance of Shares and/or (iii) the right of Shareholders to redeem or convert Shares of any Class and/or (iv) the payment of redemption proceeds for the whole or any part of any period as specified in the IOI and as described below. The Manager may declare any such suspension in such circumstances as they may deem appropriate, including:

- (a) during which there is a closure (other than customary weekend and holiday closing) of or the restriction or suspension of trading on any market or exchange on which a substantial part of the investments of the Company is normally traded;
- (b) during which for any other reason the prices of Investments held or contracted for by the Company cannot, in the opinion of the Manager, reasonably, promptly or fairly be ascertained;
- (c) when circumstances exist as a result of which in the opinion of the Manager it is not reasonably practicable for the Company to realise a substantial part of the Investments held or contracted for the Company or it is not possible to do so without seriously prejudicing the interests of Shareholders of the relevant Class;
- (d) during which the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the Investments or the issue or redemption of Shares of the relevant Class is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange;
- (e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of Investments or the NAV or the Subscription Price or Redemption Price per Share of any Class or when for any other reason the value of any of the Investments or the NAV of the Company or of any Class or the Subscription Price or the Redemption Price per Share of any Class cannot, in the opinion of the Manager, reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner;
- (f) when in the opinion of the Manager such suspension, delay or extension is required by Applicable Law or the issue, redemption or transfer of Shares would result in the violation of any Applicable Law;
- (g) where the Company is invested in one or more collective investment schemes and the realisation of interests in any relevant collective investment scheme(s) (representing a substantial portion of the Scheme Properties) is suspended or restricted;
- (h) during which the business operations of the Manager, the Administrator, the Custodian or their delegates in respect of the Company are substantially interrupted or closed as a result of or arising from sabotage, storm, tempest, typhoon, earthquake, accident, fire, flood, spread of infectious diseases or viruses, explosion, toxicity, radioactivity, acts of God, act of any government or other competent authority, hostilities (whether war be declared or not), act of terrorism, riot, civil commotion, strikes or industrial action of any kind, insurrection, rebellion or other cause, which is beyond the reasonable control of the relevant party;
- (i) any period when proceeds of any sale or redemption of the Shares of the relevant Class cannot be transmitted to or from the Company's account; or
- (j) any period when such other circumstances exist as a result of which in the opinion of the Manager it would be in the best interests of the Shareholders to invoke a suspension.

Any such suspension shall take effect at such time as the Manager shall declare but not later than the close of business on the next Business Day following the declaration. No determination of the NAV of the Company or of the relevant Class and/or the issuance of Shares of the relevant Class and/or the redemption of Shares of the relevant Class (as the case may be) shall be made until the Manager shall declare the suspension at an end, except that such suspension shall terminate in any event on the first Business Day on which: (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorized under the relevant provisions in the IOI shall exist.

Whenever the Manager declares a suspension, the Manager will, immediately after any such declaration, communicate to Shareholders that such declaration has been made. Such Shareholders will also be notified when the period of such suspension has ended.

During a period of suspension: –

- (a) where the suspension is in respect of the determination of the NAV, there shall be no determination of the NAV of the Company or the relevant Class (as applicable) (although an estimated NAV may be calculated and published) and any application for issue or request for redemption of Shares of the Company or the relevant Class (as applicable) shall be similarly suspended; and
- (b) where the suspension is in respect of the allotment or issue and/or the redemption of Shares of a Class, there shall be no allotment, issue, conversion and/or redemption of Shares of that Class. For the avoidance of doubt, the allotment, issue, conversion or redemption of Shares of a Class may be suspended without suspending the determination of the NAV of the Company.

Applications for Shares on a Dealing Day falling within a period when the issue of Shares of the relevant Class is suspended will be acted upon on the first Dealing Day after the suspension has ended. A subscriber may withdraw its application for Shares during a period of suspension provided that a withdrawal notice is actually received by the Administrator before the suspension is ended.

Redemption requests received prior to the commencement of a period of suspension will be carried forward to the next earliest relevant Dealing Day occurring after the suspension has ended and will be given priority over redemption requests received during a period of suspension. A Shareholder may withdraw his redemption request during a period of suspension provided that a withdrawal notice is actually received by the Administrator before the suspension is ended.

After declaring a suspension, the Manager shall regularly review any prolonged suspension of dealings and take all necessary steps to resume normal operations as soon as practicable. If the circumstances giving rise to the decision to suspend may continue for a prolonged period of time such that the Manager considers that it is appropriate to declare the suspension permanent, the Company will be managed for the sole purpose of realising all Investments in anticipation of the termination of the Company.

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## RISK FACTORS

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### **Risk of not achieving investment objective**

There is no assurance that the investment objective of the Company will be achieved. While the Manager intends to implement the investment strategy which is designed to meet the Company's investment objective and minimise potential losses, there can be no assurance that the Company's investment strategy will be successful. An investor may lose a substantial portion or all of its investment in a Company. As a result, each investor should carefully consider whether it can afford to bear the risks of investing in the Company.

### **General investment risk**

The Company's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Company may suffer losses. There is no guarantee of the repayment of principal.

### **Market risk**

**General market risk :** The profitability of the Scheme Properties could be adversely affected by a worsening of general market, economic, political, regulatory or other conditions or developments globally or in the US, Mainland China and HK ("**Target Jurisdictions**"), sometimes rapidly or unpredictably. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of securities prices could significantly affect the value of the Scheme Properties. Further, an adverse event or adverse economic conditions may depress the value of a particular issuer's securities or may increase the risk that issuers will not generate sufficient cash flow to service their debt obligations. The value of the Scheme Properties and the income derived from such Scheme Properties may fall significantly over a short period of time. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons and as a result, may have adverse impact to the Company and its Shareholders.

**Hong Kong market risk:** The Hong Kong economy has experienced considerable volatility in particular given the impact of the outbreak of the COVID-19; social unrest across the territory and the enactment of the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region on 30 June 2020. Hong Kong's primary economic sectors, such as real estate, retail, finance and tourism, are volatile. It is uncertain as to the impact of recent market volatility on the Company's performance. Furthermore, the economy of Hong Kong may be significantly affected by developments in Mainland China and elsewhere in Asia-Pacific and the United States. This may have an adverse impact on the economy of Hong Kong and, therefore, the operating results, financial condition, business and prospects of the Scheme Properties.

**Mainland China market risks:** The Scheme Properties may be invested in offshore securities issued by issuers which have their main operations in, or have a majority of their income derived from Mainland China. Since 1978, the Mainland China government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Mainland China economy. Many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. Further adjustment of the reform measures and/or significant change in Mainland China's political, social or economic policies may be made and it is uncertain how such reforms will impact on the stock markets as well as the performance of the Company.

The Mainland China government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade,

however, these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement involve uncertainties.

Companies in Mainland China are required to follow Mainland China accounting standards and practices which, to a certain extent, follow international accounting standards. The financial statements prepared by accountants following Mainland China accounting standards and practice may differ from those prepared in accordance with international accounting standards. Further, Mainland China government's control of currency conversion and movements in the Renminbi exchange rates may adversely affect the operations and financial results of Mainland Chinese companies.

Investments in equity interests of Mainland Chinese companies may be made through A shares, B shares and H shares. The Company intends to principally invest in A shares when investing into the Mainland China market which imposes limitations or restrictions on investment through specified schemes, such as Stock Connect. Please refer to the risk factor titled “**Risks associated with the Shanghai/Shenzhen-Hong Kong Stock Connect**” for more details.

**US – Mainland China trade frictions** : In recent years, the United States and Mainland China have been in constant trade frictions, which have negatively impacted global markets and other nations closely affiliated with these countries have also been affected. Further, the current political climate in Hong Kong and the outbreak of COVID-19 have intensified concerns that both countries may undertake actions (i.e. additional tariffs, sanctions or other aggravating measures) that may trigger a significant reduction in international trade, instability in the supply of certain manufactured goods, substantial price fluctuation of goods and the possible collapse of companies and/or segments of Mainland China's export industry, which could ultimately have a negative impact on the Company's performance given the size and significance of both the United States and Mainland China in the global economy, as well as, the Scheme Properties in which the Company invests. The development of the relationship between the United States and Mainland China and the outcome of these actions are difficult to predict in the future. The continued uncertainties may impact on the global markets in a manner that is unprecedented against the backdrop of COVID-19's aftermath. As at the date of this EM, there is no foreseeability nor assurance that the United States and Mainland China will resolve their trade frictions.

**Outbreak of COVID-19** : An outbreak of respiratory illness caused by a novel coronavirus (“**COVID-19**”) was believed to have first emerged in late 2019 and continues to spread globally. Since then, draconian measures including travel restrictions have been imposed in major cities globally in an effort to contain the COVID-19 outbreak. The World Health Organization (“**WHO**”) has been closely monitoring and evaluating the situation. On 30 January 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC) and ultimately characterized COVID-19 as a pandemic on 11 March 2020. The new strain and mutations of COVID-19 are considered highly and increasingly contagious, unpredictable, rapidly developing and may pose a serious public health threat worldwide, including in developed economies and regions. To date, the virus has spread over 100 countries and territories globally. The outbreak, which has resulted in complete or partial lock-down measures over extended periods and/ or intermittently imposed in certain jurisdictions, extended closure of business operations, travel restrictions and mandatory quarantine requirements on infected, or deemed potentially infected individuals, as well as, high number of fatalities, is likely to have an adverse impact on the livelihood of the people and the economy globally. Given COVID-19's influence over the global financial markets, the outlook of the financial market, economic slowdown and/or negative business sentiment could potentially have an indirect impact on the Company and the business operations and the financial condition of the Scheme Properties. It is uncertain as to when the outbreak of COVID-19 will be contained, how government policies reacting to the spread of COVID-19 may impact the Company and/or the Scheme Properties and whether any impact will be short-lived or long-lasting. If the outbreak of COVID-19 is not effectively controlled, the Scheme Properties may be materially and adversely impacted as a result of the changes in the outlook of the financial market, the slowdown in economic growth, negative business sentiment or other factors unforeseen. The Directors' preliminary assessment of the impact of the outbreak of COVID-19 above will evolve depending on the subsequent development of the spread of COVID-19. Therefore, the actual impact may possibly be beyond the Directors' assessment outlined above.

## **Risks associated with Equities**

**Equity market risk:** The Company's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

**Volatility risk:** Stock markets and individual securities can be volatile and prices can change substantially in short periods of time. Price movements of securities are difficult to predict and are influenced by, among other things, changing supply and demand relationships, government trade, fiscal, monetary and exchange control policies, national and international political and economic events, and the inherent volatility and potential settlement difficulties of the markets.

**Lack of majority control over Investment risks:** The Company's holding of ordinary shares of a single class may not exceed 10% of the nominal amount of the ordinary shares of the same class in issue. All Investments made or to be made in respect of the Company will therefore be passive in nature and the Manager will not be able to exert any control over the relevant Investment.

**Risks associated with regulatory requirements/policies of the equity market:** High market volatility and potential settlement difficulties in the markets may also result in significant fluctuations in the prices of the securities and thereby may adversely affect the value of the Company.

**Risks of investing in IPO securities:** The Company may invest in IPO securities. The prices of securities involved in initial public offers are often subject to greater and more unpredictable price changes than more established securities. There is the risk that there are inadequate trading opportunities generally or allocations for IPOs which the Manager wishes or is able to participate in. Furthermore, the liquidity and volatility risks associated with investments or potential investments in IPO securities may be difficult to assess, due the lack of trading history of such IPO securities. These risks may have adverse impact on the Company and its Shareholders.

## **Risks associated with specific investment strategy**

**Concentration risk:** The Company's investments target equities of companies above a certain capitalization that are principally located in, connected to or derive their income from Hong Kong. The value of the Company may be more volatile than that of a Company having a more diverse portfolio of investments. Further, as the Company's investments are concentrated in the Targeted Jurisdictions, the value of the Company may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Targeted Jurisdictions.

**Risk of specific investment strategy:** The Manager expects to adopt a dynamic asset allocation policy and may not achieve the desired results under all circumstances and market conditions.

**Risk relating to dynamic asset allocation strategy:** The investment of the Company may be periodically rebalanced and therefore the Company may incur greater transaction costs than a Company with static allocation strategy.

**Risks associated with investments in financial derivatives instruments:** The risks associated with the use of FDI, include counterparty/credit risk, liquidity risk, valuation risk and volatility risk are different from, or possibly greater than, the risks associated with investing directly in equity securities. Participation in such techniques and instruments involves a high degree of risk due to the potential leverage effect resulting in a loss significantly greater than the amount investing in the FDI by the Company. If the Manager's predictions are inaccurate and there is an imperfect correlation between instruments and the underlying investments or market sectors being hedged, the adverse consequences to the Company may leave the Company in a much worse position including a high risk of significant loss than if such techniques and instruments were not used.

## **Custody risk**

Custodians or sub-custodians may be appointed in local markets for safekeeping assets in those markets. Cash held with the Custodian or sub-custodians (where appointed) may not be segregated and may not be recoverable in case of liquidation, bankruptcy or insolvency of the Custodian and sub-custodians. Further, where the Company invests in markets where custodial and/or settlement systems are not fully developed, the Scheme Properties may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a sub-custodian, the Company may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Company may even be unable to recover all of its assets. The costs borne by the Company in investing and holding investments in such markets will be generally higher than in organised securities markets.

## **Counterparty risk**

Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to the Company. The Company may be exposed to the risk of a counterparty through investments such as options. If a counterparty becomes insolvent, the Company may experience significant delays in obtaining any recovery in an insolvency, bankruptcy, or other reorganization proceeding, and the Manager could experience delays in liquidating the Company's positions and incur significant losses (including the loss of that portion of the Company's portfolio financed through such a transaction, a decline in value of its investment during the period in which the Manager seeks to enforce its rights, an inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights). The Company may obtain only a limited recovery or may obtain no recovery in such circumstances. Further, to the extent that a counterparty defaults on its obligations and the Company is prevented from exercising its rights with respect to the investment in its portfolio, the Company may experience a decline in the value and incur costs associated with its rights attached to the security. The Company may sustain substantial losses as a result.

## **Liquidity risks**

Investments are exposed to general market risks, as highlighted above, and liquidity risk exists when a particular Investment is difficult to be acquired or disposed of. In the event of adverse market conditions, a drop in the credit of the issuer or if bid-offer spreads are wide, causing a disruption in the asset allocation in the Scheme Properties, Investments cannot be acquired or disposed of as easily or at prices, as desired by the Manager. This may adversely affect the Net Asset Value of the Company. Further, as Shareholders may redeem some or all of their Shares on any Dealing Day, there may be a mismatch between the liquidity of the Company's underlying investments and its redemption obligations. The Company may encounter difficulties in valuing and/or disposing of assets at their fair price due to adverse market conditions, substantial redemptions or other uncontrollable factors. Under such volatile and stressed market conditions, the Company may not be able to meet its redemption obligations or may only be able to meet them after liquidation of Scheme Properties on unfavourable terms (such as at a substantial discount) and the Company may suffer losses in trading such Investments. There is no assurance that there will be an active, liquid trading market for the Company to sell its Investments, or the price at which the Investments may be sold at to meet redemption obligations. As a result, this may have adverse impact on the Company and its Shareholders.

## **Risks associated with performance fee charged by the Company**

\* Performance fees may encourage the Manager to make riskier investments than would be the case in the absence of any performance-based incentive payment.

\* Given there is no equalization arrangement for the calculation of the performance fee, a redeeming Shareholder may still incur a performance fee in respect of its investments, even though it has suffered a loss of investment capital.

\* In addition, performance fees may be paid on an unrealized gains which may never be realized by the Company.

### **Risks associated with investments/exposure to RMB currency**

The Company may invest in securities denominated in Renminbi, therefore, it may be subject to Renminbi currency risks. RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based (e.g. Hong Kong) investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Company. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of realisations and/or distribution payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

### **Foreign exchange risk**

Underlying investments of the Company may be denominated in currencies other than the Base Currency. Also, a Class of Shares may be designated in a currency other than the Base Currency. The NAV of the Company may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls. The Company may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. These risks may have adverse impact on the Company and its Shareholders. Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in the Company may be suspended if the Company is unable to repatriate funds for the purpose of making payments on the redemption of Shares.

### **Risks associated with the Shanghai/Shenzhen-Hong Kong Stock Connect**

The relevant rules and regulations on Shanghai/Shenzhen-Hong Kong Stock Connect (“**Stock Connect**”) are subject to change which may have potential retrospective effect. The Shanghai/Shenzhen-Hong Kong Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the Company's ability to invest in A-shares or access the Mainland China market through the programme will be adversely affected. In such event, the Company's ability to achieve its investment objective could be negatively affected.

The Company's investments through the Stock Connect may be subject to the following risks:

**General risks:** Legal and regulatory restrictions or limitations imposed may have adverse effect on the liquidity and performance of such investments due to factors including (without limitation) repatriation limitations, unfavourable tax treatments, higher commission costs, dealing restrictions, regulatory reporting requirements and reliance on services of local custodians and service providers and other factors.

**Investor Compensation Fund:** Hong Kong's Investor Compensation Fund (ICF) is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. ICF covers investors' losses in relation to securities traded on the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the Northbound Trading Link of a Stock Connect arrangement. On the other hand, since the Company is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland Chinese brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in Mainland China. Therefore, the

Company is exposed to the risks of default of the broker( s) it engages in its trading in A shares through Stock Connect.

**Quota limitations:** The Stock Connects are subject to a daily quota limitations. The daily quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The quotas do not belong to the Company and are utilized on a first-come-first-serve basis. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Company's ability to invest in A shares through the Stock Connects on a timely basis, and such Company may not be able to effectively pursue its investment strategies.

**Clearing and settlement risk:** The HKSCC and CSDCC establish clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of CSDCC default occur and CSDCC be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against CSDCC. HKSCC should in good faith, seek recovery of the outstanding stocks and monies from CSDCC through available legal channels or through CSDCC's liquidation. In that event, the Company may suffer delay in the recovery process or may not fully recover its losses from CSDCC.

**Participation in corporate actions and shareholders' meetings:** HKSCC will keep CCASS participants informed of corporate actions of the Stock Connect Shares. Hong Kong investors (including the Company) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of the Stock Connect Shares may be as short as one business day only. Therefore, the Company may not be able to participate in some corporate actions in a timely manner. Hong Kong investors (including the Company) are holding the Stock Connect Shares through their brokers or custodians. Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the Mainland China regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements.

**Suspension risk:** Each of the SEHK, SSE and SZSE reserves the right to suspend trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension is effected, the Company's ability to access the Mainland China market will be adversely affected.

**Differences in trading day:** The Stock Connect only operates on days when both Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. It is, therefore, possible that there are occasions when it is a normal trading day for the Mainland China market but the Company cannot carry out any Stock Connect Shares trading. The Company may be subject to a risk of price fluctuations in the Stock Connect Shares during the time when any of the Stock Connect is not trading as a result.

**Restrictions on selling imposed by front-end monitoring:** Mainland Chinese regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise the SSE or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on A share sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling. Generally, if the Company intends to sell certain A shares it holds, it must transfer those A shares to the respective accounts of its broker(s)

before the market opens on the day of selling. If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, the Company may not be able to dispose of its holdings of A shares in a timely manner. However, the Company may maintain its A shares with a custodian which is a custodian participant or general clearing participant participating in CCASS. In such circumstance, the Company may request such custodian to open a special segregated account (“SPSA”) in CCASS to maintain its holdings in A shares under the enhanced pre-trade checking model. Each SPSA will be assigned a unique investor identification by CCASS for the purpose of facilitating the order routing system to verify the holdings of an investor such as the Company. Provided that there is sufficient holding in the SPSA when a broker inputs the Company’s sell order, the Company will only need to transfer Stock Connect Shares from its SPSA to its broker's account after execution (as opposed to the practice of transferring Stock Connect Shares to the broker's account under the pre-trade checking model) and the Company will not be subject to the risk of being unable to dispose of its holdings of Stock Connect Shares in a timely manner.

**Operational risk:** The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are permitted to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. The securities regimes and legal systems of the two markets differ significantly and market participants may need to address issues arising from the differences on an ongoing basis. There is no assurance that the systems of the Stock Exchanges and market participants will function properly or will continue to be adapted to changes and developments in both markets. If the relevant systems fail to function properly, trading in both markets through the program could be disrupted. The Company’s ability to access the A share market (and hence to pursue its investment strategy) may be adversely affected.

**Regulatory risk:** The current regulations relating to the Stock Connect are subject to change which may have potential retrospective effects and there can be no assurance that the Stock Connect will not be abolished. New regulations may be issued from time to time by the regulators/ stock exchanges in Mainland China and Hong Kong in connection with operations, legal enforcement and cross-border trades under the Stock Connect. The Company may be adversely affected as a result of such changes.

**Recalling of eligible stocks:** When a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the Company, for example, if the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

**Offshore shareholding restrictions risk:** Hong Kong investors (including the Company) holding A shares are subject to offshore shareholding restrictions. The capacity of the Company to make investments in A shares may be adversely affected by the activities of all underlying offshore investors investing through Stock Connect.

**Risk of default of broker:** Investment through Stock Connect is conducted through brokers, and is subject to the risks of default by such brokers’ in their obligations.

### **Borrowing risk**

Subject to the borrowing restrictions set in this EM and the IOI, the Manager may, for various reasons, borrow money for the Company. Borrowing involves an increased degree of financial risk and may increase the exposure of the Company to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the Company will be able to borrow on favourable terms or that the Company will be able to refinance at any time.

### **Difficulties in valuation of Investments**

Valuation of an Investment may involve uncertainties and judgmental determinations, independent pricing information may not at all times be available and Investments may subsequently become illiquid due to events impacting the Investment, market and economic conditions and regulatory sanctions. Further, market volatility may result in a discrepancy between the latest available subscription and redemption prices for the Company and the Fair Value of the Scheme Properties.

### **Pricing adjustments risk**

Subscriptions or redemptions may dilute the Company's assets due to dealing and other costs associated with the trading of underlying securities. In order to counter this impact, adjustment of prices (including fiscal charges adjustment and swing pricing mechanism) may be adopted to protect the interests of Shareholders. Consequently, investors will subscribe (redeem) at a higher subscription price (lower redemption price). Investors should note that the occurrence of events which may trigger adjustment of prices is not predictable. It is not possible to accurately predict how frequent such adjustments of prices will need to be made. Adjustments may be greater than or less than the actual charges incurred. If the adjustments made are less than the actual charges incurred, the difference will be borne by the Company. Investors should also be aware that adjustment of prices may not always, or fully, prevent the dilution of the Scheme Properties.

### **Settlement risk**

Significant delays in settlement may occur in certain markets in registering the transfer of securities. Such delays could result in substantial losses for the Company if investment opportunities are missed or if the Company is unable to acquire or dispose of a security as a result. All these may have a negative impact on the Company.

### **Suspension risk**

Under the terms of this EM and the IOI, in certain circumstances, the Manager may suspend the calculation of the Net Asset Value of Shares as well as suspend subscriptions and redemptions and/or the calculation of net asset value for Shares. Investors may not be able to subscribe or redeem when such a suspension is invoked. Investors may not be able to obtain a market value of their investment if the calculation of net asset value is suspended.

### **Effect of substantial redemption**

Significant redemptions from the Company may affect the Company and its investors adversely since the Company may be required to sell its relatively liquid Investments to meet a substantial redemption requests resulting in the Company's remaining Scheme Properties to become less liquid, more volatile, and more difficult to price. Further, reduction in the Net Asset Value of the Company could make it more difficult for the Company to generate positive returns or to recoup losses due to, among other things, reductions in the Company's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses. In addition, the resulting decrease in the Company's NAV may immediately increase the ongoing charges of the Company as a percentage of its Net Asset Value and may have an adverse impact on Shareholders' returns. Substantial redemptions causing the NAV of the Company to diminish significantly may trigger the early termination of the Company.

### **Risk of termination**

The Company may be terminated under the circumstances outlined under the section titled "**Termination of the Company (otherwise than by winding up)**" summarising the equivalent provision in the IOI. In the event of the winding up of the Company, the Company would have to distribute to the Shareholders their pro rata interest in the Scheme Properties. It is possible that at the time of such distribution, certain Investments will be worth less than the initial cost of acquiring such Investments, resulting in a loss to the

Shareholders. Moreover, any Organizational Expenses that have not yet been fully amortized would be debited against the Scheme Properties at that time.

### **Legal, tax and regulatory risk**

The Company must comply with various legal requirements, including securities laws and tax laws as imposed by the jurisdictions under which it operates. Should any of those laws change over the life of the Company, the legal requirements to which the Company and the Shareholders may be subject, could differ materially from current requirements. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. These factors may have an adverse impact on the value of the Company.

### **Cross Class liability risk**

Multiple Classes of Shares may be issued with particular assets and liabilities of the Company attributable to particular Classes. Where the liabilities of a particular Class exceed the assets pertaining to that Class, creditors pertaining to one Class may have recourse to the assets attributable to other Classes. Although for the purposes of internal accounting, a separate account will be established for each Class, in the event of an insolvency or termination of the Company (i.e. when the assets of that Class are insufficient to meet its liabilities), all assets will be used to meet the Company's liabilities, not just the amount standing to the credit of any individual Class.

### **Creation of new Classes of Shares**

Additional Classes which may have different offering terms may be established in the future without the consent of, or notification to, existing Shareholders. In particular, such additional Classes may have different terms with regard to fees.

### **Indemnification of directors and service providers**

The Directors, the Manager, the Administrator, the Custodian and the Auditors are entitled to be indemnified in accordance with the contractual agreements with the Company. As a result, Scheme Properties may be used to indemnify such persons, companies or their employees or to satisfy their liabilities as a result of their activities in relation to the Company.

### **Non-compliance with HKFRS**

The annual and interim financial reports of the Company will be prepared in accordance with the HKFRS. Investors should note that the valuation rules described in the section headed "**Valuation**" may not necessarily comply with HKFRS. Under HKFRS, investments should be valued at Fair Value, and bid and ask pricing is considered to be representative of Fair Value of Investments. However, under the valuation basis described in the section headed "**Valuation**", listed investments are expected to be valued normally at the last traded price or closing price instead of bid and ask pricing as required under HKFRS. The cost of establishment of the Company will be amortised over 60 months from the Closing Date. Investors should note that this policy of amortisation is not in accordance with HKFRS. However, the Manager has considered the impact of such non-compliance and does not expect this issue to materially affect the results and Net Asset Value of the Company. Further, the Manager believes that this policy is fairer and more equitable to the initial investors.

### **Reliance on management**

The Company's performance is largely dependent on the continuance of the IMA and the services and skills of the Manager's delegates, officers and employees. The loss of the Manager's services or its delegates' (or of any of their respective key personnel) could materially or negatively impact the value of the Company.

## **Conflicts of interest**

Potential and actual conflicts of interest may arise from the overall investment activities of the Manager and its connected person for their own accounts and the accounts of others. The Manager and its connected persons may invest for their own accounts and for the accounts of clients in various instruments that have interests different from or adverse to the instruments that are owned by the Company. Please refer to the section titled “**Conflicts of Interest**” for more details.

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## TAXATION

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### *Hong Kong tax considerations*

#### **Taxation of the Company**

The Company will be exempted from profits tax in Hong Kong as it is authorized by the Commission as a collective investment scheme under section 104 of the SFO for offer to the retail public in Hong Kong.

#### **Taxation of Shareholders**

Profits arising on the transfer or redemption of an investment in the Shares should only be subject to profits tax for Shareholders who carry on a trade or business in Hong Kong where the profits, not being regarded as capital in nature (for example, dealers in securities, financial institutions or insurance companies), arise in or are derived from such trade or business carried on in Hong Kong (that is, such profits are sourced in Hong Kong).

Profits tax is currently imposed at a rate of 16.5% for corporations and 15% for all other persons. Please note that the Inland Revenue (Amendment) Ordinance (No.3) 2018 was enacted into law on 29 March 2018 to implement a two-tier profits tax system in Hong Kong effective from the year of assessment 2018/19. Under the two-tier tax rates, the first HK\$2 million of assessable profits of corporations and unincorporated business will be taxed at a reduced rate of 8.25% and 7.5% respectively on a self-election basis, with certain exceptions. For a group of “connected entities”, only one entity within the group can elect to apply the two-tier rates.

Dividends/distributions received by the Shareholders (in respect of Shares) would generally not be subject to tax in Hong Kong. However, any tax-exempt profits of a Hong Kong source derived by a fund exempt under the Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Ordinance 2019 may be deemed as taxable in the hands of Hong Kong resident investors who hold a direct or indirect beneficial interest in the tax-exempt fund (“**Deeming Provisions**”). The Deeming Provisions will apply if:

- (1) a Hong Kong resident, together with its associates (whether a resident person or not), holds directly or indirectly 30% or more of the beneficial interest in such a tax-exempt fund; or
- (2) a Hong Kong resident holds directly or indirectly a beneficial interest in such a tax-exempt fund that is an associate of the Hong Kong resident (irrespective of the percentage holding of the beneficial interest in the fund).

The above Deeming Provisions do not apply to a Hong Kong resident if the Company is regarded as “bona fide widely held.” Investors should seek their own independent Hong Kong tax advice on this issue.

Distributions received by Shareholders should generally not be subject to withholding tax in Hong Kong.

#### ***Stamp duty***

No Hong Kong stamp duty is payable in relation to the issue or redemption of Shares if the Shares are extinguished upon redemption.

No Hong Kong stamp duty is payable where the sale or transfer of the Shares is effected by selling the relevant Shares back to the Manager, who then either extinguishes the Shares or re-sells the Shares to another person within two months thereof.

Other types of sales and purchases or transfers of the Shares by the Shareholders should be liable to Hong Kong stamp duty of 0.2% (normally borne in equal share of 0.1% by the buyer and 0.1% by the seller) (or

such applicable rate as may be in force from time to time) on the higher of the consideration amount or market value. In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of Shares.

### *Mainland China tax considerations*

By investing in A shares, Renminbi denominated corporate and government bonds, securities investment fund and warrants listed on the Mainland China stock exchanges (together “**PRC Securities**”), the Company may be subject to withholding and other taxes imposed in Mainland China.

- Corporate Income Tax

For an enterprise that is not a tax resident enterprise and has no permanent establishment in Mainland China for Mainland China corporate income tax purposes under the Corporate Income Tax (“**CIT**”) Law, a 10% Mainland China corporate income tax on a withholding basis (“**PRC WIT**”) shall, subject to exemptions, apply to capital gains derived from the disposal of PRC Securities.

- Interests and Dividends

Currently, a 10% tax is payable on interests derived from RMB denominated corporate bonds and dividends derived from A shares unless a specific exemption is applicable. The entity distributing such dividend or interests is required to withhold such tax.

Under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (“**PRC-HK Arrangement**”), the PRC WIT charged on interest received by Hong Kong resident holders of debt instruments will be 7% of the gross amount of the interest, if the Hong Kong tax residents are the beneficial owners under the PRC-HK Arrangement, subject to the approval of the Mainland China tax authorities. However, there are still uncertainties as to how the Mainland China tax authorities will assess the beneficial ownership for investment fund cases; it is uncertain whether the Company can obtain approval from the Mainland China tax authorities for this preferential rate. The Manager will continue to review the position including the views of the Mainland China tax authorities, the administrative requirements for seeking such approvals and the cost and uncertainty of seeking approvals. The Manager may seek to apply for such approval from the Mainland China tax authorities in relation to the Company, although this cannot be guaranteed. If the relevant approval is not obtained, the general PRC WIT rate of 10% will be applicable to the Company on interest. Pursuant to the PRC-HK Arrangement, the tax charged on dividends received by the non-resident holders of shares issued by Mainland China resident companies will be 5% of the gross amount of the dividends, if Hong Kong tax residents are the beneficial owners and directly hold at least 25% of the equity of the company paying the dividends. Due to the investment restriction, the Company will not hold more than 10% of any ordinary shares issued by any single issuer. In this connection, dividends derived from A shares invested through qualified investors (“**QI**”) will not benefit from the reduced tax rate of 5% and the general tax rate of 10% is applicable to the Company.

- Capital Gains

Specific rules governing taxes on QI’s capital gains derived from the trading of debt securities in Mainland China have yet to be announced. In the absence of such specific rules, the Mainland China income tax treatment should be governed by the general tax provisions of the CIT Law.

Pursuant to the PRC-HK Arrangement, capital gains derived by a Hong Kong tax resident from the disposal of Renminbi denominated corporate, government and non-government bonds may be exempted from the PRC WIT, subject to the approval of the Mainland China tax authorities.

This tax treaty exemption on capital gain will only apply if specific approval is obtained from the Mainland China tax authorities. In this connection, the Manager will further assess and seek to apply with Mainland China tax authorities to treat the Company and/or the Manager as Hong Kong tax resident and be able to enjoy the above capital gain tax exemption under the PRC-HK Arrangement, although this cannot be guaranteed. If the relevant approval is not obtained, the general rate of 10% will be applicable to the capital gains derived by the Company on the dealing of the PRC Securities other than equity investments issued by Mainland China resident issuers.

In respect of equity interest investments such as A shares, the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission have issued circulars on 14 November 2014 to clarify the relevant corporate income tax liabilities:-

(i) Pursuant to the Circular Concerning the Temporary Exemption of the Corporate Income Tax for Gains Earned by Qualified Foreign Institutional Investors from Transfer of Domestic Shares and Other Equity Interest Investment in China under Caishui [2014] No.79 (“**Circular No. 79**”):

- corporate income tax shall be exempt on a temporary basis on the gains earned by QIs from the transfer of domestic shares and other equity interest investment in Mainland China with effect from 17 November 2014; and
- corporate income tax shall be imposed on such gains earned by QIs before 17 November 2014 in accordance with the tax laws.

This circular is applicable for QIs without any establishment or place in Mainland China or the income derived by the QIs are not effectively connected with their establishment or place in Mainland China.

(ii) Pursuant to the Circular on the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shanghai and Hong Kong Stock Markets under Caishui [2014] No.81 (“**Circular No. 81**”) and the Circular on Issues Relating to the Tax Policy of the Pilot Inter-connected Mechanism for Trading on the Shenzhen and Hong Kong Stock Markets under Caishui [2016] No.127 (“**Circular No. 127**”), in respect of trading of A shares through the Stock Connects:

- corporate income tax shall be exempt on a temporary basis on the gains earned by Hong Kong market investors (including corporate and individual investors) from the transfer of A shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange; and
- Hong Kong market investors are required to pay tax on dividend and bonus of A shares at a standard rate of 10%, which will be withheld and paid to the relevant Mainland China tax authority by the respective listed companies (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to the China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented).

- Value-added Tax (“**VAT**”)

Business Tax was completely replaced by VAT starting from 1 May 2016. With the Circulars Caishui [2016] No. 36 (“**Circular No.36**”) and Caishui [2017] No. 70 (“**Circular No. 70**”), gains derived by QIs from the transfer of PRC Securities will be exempt from VAT since 1 May 2016. Also, based on Circular No.36, Circular No.81 and Circular No.127, the gains derived through Stock Connects from transfer of A shares will be exempt from VAT since 1 May 2016.

However, for marketable securities other than those invested under QIs and Stock Connects, Circular 36 shall apply to levy VAT at 6% on the difference between the selling and purchase prices of those marketable securities.

Interest income received by QIs from investments in onshore debt securities shall be subject to 6% VAT unless special exemption applies. According to the Circular 36 and Caishui [2016] No. 46, deposit interest income is not subject to VAT and interest income earned on government bonds and policy bank bonds is exempted from VAT, while pursuant to Caishui [2018] No. 108, the interest income of the bonds derived by OIIs in Mainland China onshore bond market is exempted from VAT for three years effective from 7 November 2018 to 6 November 2021.

Dividend income or profit distributions on equity investment derived from the Mainland China are not included in the taxable scope of VAT.

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12% of VAT payable.

- Stamp duty

Stamp duty under Mainland China laws generally applies to the execution and receipt of all taxable documents listed in the Mainland China's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in the Mainland China of certain documents, including contracts for the sale of A shares traded on the Mainland China stock exchanges, at the rate of 0.1%. In the case of contracts for sale of A shares, such stamp duty is currently imposed on the seller but not on the purchaser.

Under Circular No. 81, Hong Kong market investors trading through Stock Connects are required to pay stamp duty arising from the sale and purchase of A shares and the transfer of A shares by way of succession and gift in accordance with the prevailing Mainland China taxation regulations.

- Tax provision

The Manager intends to operate as a QI and the Company such that they are not tax resident enterprises and have no permanent establishment in the Mainland China for corporate income tax purposes, although this cannot be guaranteed. Any PRC WIT imposed in respect of the PRC Securities invested by the Company will be passed on to the Company and the asset value of the Company will be reduced accordingly.

The Manager may make further provisions in respect of the Company for the above tax obligations based on professional and independent tax advice obtained. With the uncertainties under applicable Mainland China tax laws and the possibility of such laws being changed and taxes being applied retrospectively, any provision for taxation, if made by the Manager, may be excessive or inadequate to meet actual Mainland China tax liabilities on gains derived from PRC Securities. If it is satisfied (based on tax advice) that part of the tax provisions are not required, the Manager will release such provisions back into the Company, forming part of the Scheme Properties. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Scheme Properties, the Scheme Properties value will be adversely affected.

Investors may be advantaged or disadvantaged depending upon the final tax outcome as and when they subscribed and/or redeemed their Shares in/from the Company. No Shareholders who have redeemed their Shares in the Company before the release of any excess tax provision shall be entitled to claim in whatsoever form any part of the tax provision or withholding amounts released to the Company, which amount will be reflected in the NAV.

The Manager, after taking professional and independent tax advice, has also decided that the Company will not withhold any amount of realised or unrealised gains on its investments in A shares as tax provisions.

Various tax reform policies have been implemented by the Mainland China government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in Mainland China will be changed with retrospective effect in the future and any such change may have an adverse effect on the asset value of the Company. Moreover, there is no assurance that tax incentives currently offered to offshore companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in Mainland China which the Company invests in, thereby reducing the income from, and/or value of the Shares.

## **FATCA**

### **(a) General Information**

FATCA, a US tax law enacted in March 2010, attempts to minimise tax avoidance by US Persons investing in foreign assets both through their own accounts and through their investments in foreign entities. FATCA generally requires FFIs to provide information to the US tax authority, the Internal Revenue Service (“**IRS**”), regarding their US account Shareholders including substantial US owners of certain non- financial foreign entities (“**NFFEs**”). FFIs who fail to commit to meeting certain due diligence, withholding and reporting requirements and certain NFFEs who fail to provide required information on their substantial US owners are now subject to 30% FATCA withholding on certain payments (as further described below).

FATCA withholding applies to (i) payments of US source income, including US source dividends and interest, made after 30 June 2014; and (ii) payments of gross proceeds of sale or other disposal of property that can produce US source income after 31 December 2018. It is possible that certain non-US source payments attributable to amounts that would be subject to FATCA withholding (referred to as “**foreign passthru payments**”) may also be subject to FATCA withholding starting from 1 January 2019, though the definition of “foreign passthru payment” in US Treasury Regulations is currently pending. Withholding agents, including participating FFIs, will generally be required to begin withholding on withholdable payments made after 30 June 2014.

US tax law has detailed rules for determining the source of income. Different rules apply for each type of income. Interest and dividends, two of the most important types of income for investors, are generally sourced by reference to the residence of the obligor. Specifically, dividends are generally treated as US source income when paid by a US corporation with respect to its stock, and interest is generally treated as US source income when paid by a US borrower of money.

Under the terms of a Model 2 IGA between the US and Hong Kong with respect to FATCA, an FFI domiciled in Hong Kong is generally considered to be FATCA compliant and thus not subject to FATCA withholding if it registers with the IRS on the IRS FATCA registration website and complies with the terms of an FFI agreement with the IRS.

### **(b) FATCA Registration Status**

The Company is a FFI under FATCA and the US-Hong Kong IGA, and in compliance with FATCA and the US-Hong Kong IGA, are registered on the IRS FATCA registration website as a “Reporting Financial Institution under a Model 2 IGA”.

(c) **Impact to the Shareholders**

Each Shareholder is required to: (a) upon demand by the Company, provide any form, certification or other information reasonably requested by and acceptable to the Company that is necessary for the Company (i) to avoid withholding (including, without limitation, any withholding taxes required under FATCA, CRS or otherwise) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Company receives payments and/or (ii) to satisfy due diligence, reporting or other obligations under FATCA, CRS and the US IRC, or to satisfy any obligations relating to any Applicable Law or any agreement with any tax authority; (b) update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, (for the avoidance of doubt, including informing the Company, the Manager or its agents within 30 days of any change in any information provided in relation to its FATCA status (including any circumstances that would result in a change in the taxpayer status of such Shareholder)); (c) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation; and (d) waive any and all rights of such Shareholder under any relevant law or regulation in any applicable jurisdiction that would prevent the Company from meeting applicable regulatory and legal requirements.

If a Shareholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Company, or a risk of the Company being subject to withholding tax under FATCA, the Company, the Manager or its agents may, acting in good faith and on reasonable grounds, (a) report the relevant information of such Shareholder to the US IRS; (b) withhold, set-off or deduct such amount from any redemption and/or distributions moneys which would otherwise be payable to a Shareholder as a consequence of any Defaulting Shareholder (as defined below) failing to comply in a timely manner with the requirement below as required or permitted under Applicable Law; and/or (c) exercise its right to request a transfer of Shares to another person or to compulsorily redeem the Shares held by such Shareholder under the applicable provisions of this Instrument.

Notwithstanding the paragraph above, and to the extent, the Company is required to make (or is subject to) any payment, withholding (including, without limitation, withholding taxes under FATCA, CRS or otherwise) or deduction (such payment, withholding or deduction referred to as a “**Deduction**”) as a consequence of any Shareholder (“**Defaulting Shareholder**”) failing to comply in a timely manner with the requirement in the preceding paragraph, the Company shall be entitled to, at the discretion of the Directors, redeem such of that Defaulting Shareholder’s Shares so as to ensure that no other Shareholder in the Company shall suffer any reduction in the value of their Shares as a consequence of such Deduction.

If the Company holds US securities and is not FATCA compliant, the Company may become subject to 30% FATCA withholding under the FATCA regime. The Company may be adversely affected as a consequence and the Shareholders may suffer material losses.

The Manager will not engage in any act that purports to evade US tax or meet any request to help investors avoid detection under FATCA. The Manager is not able to provide tax advice and cannot determine the impact or compliance obligations of FATCA or an applicable IGA for any investor’s business activities. The Manager strongly encourages Shareholders to seek the advice of an experienced tax adviser to determine what actions Shareholders may need to take.

The FATCA provisions are complex and their application is relatively uncertain as the US IRS may update FATCA rules and requirements from time to time. The above description is based in part on FATCA regulations from the United States Department of the Treasury, official guidance from the US IRS and the US-Hong Kong IGA, all of which are subject to change. Nothing in this section constitutes or purports to constitute tax advice and Shareholders should not rely on any information set out in this section for the purposes of making any investment decision, tax decision

or otherwise. All Shareholders should therefore consult their own tax and professional advisors regarding the FATCA requirements, possible implications and related tax consequences with respect to their own situation. In particular, Shareholders who hold their Shares through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they would not suffer the above mentioned withholding tax on their investment returns.

## **Automatic Exchange of Financial Account Information (“AEOI”)**

### **(a) General Information**

The Inland Revenue (Amendment) (No.3) Ordinance (“**Ordinance**”) came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for AEOI. The AEOI requires financial institutions (“**FI**”) in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with Hong Kong FIs, and to file such information with the Hong Kong Inland Revenue Department (“**IRD**”) who in turn will exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement (“**CAA**”); however, the Company may further collect information relating to residents of other jurisdictions.

The Company is required to comply with the requirements of AEOI as implemented by Hong Kong, which means that the Company, the Manager, the Custodian and/or any of their agents shall collect and provide to the IRD tax information relating to Shareholders (and their Controlling Persons, as defined in the Ordinance) and prospective investors.

The AEOI rules as implemented by Hong Kong require the Company to, amongst other things: (i) register the Company’s status as a “Reporting Financial Institution” with the IRD; (ii) conduct due diligence on its accounts to identify whether any such accounts are considered reportable accounts (“**Reportable Accounts**”) for AEOI purposes; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis, commencing from 2018, to transmit the information reported to it to the government authorities of the relevant jurisdictions with which Hong Kong has signed a CAA. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a jurisdiction with which Hong Kong has signed a CAA; and (ii) certain entities controlled by individuals who are tax resident in such other jurisdiction. Under the Ordinance, details of Shareholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

### **(b) Impact to the Shareholders**

To assist in identifying Shareholders who are reportable persons, the Company may require Shareholders and investors to complete self-certification forms for verification of the Shareholders’ respective tax residency status.

According to the due diligence procedures under the Ordinance, self-certification will be required for all new Shareholders. The Company reserves the right to require Shareholders to verify their respective tax residences.

By investing in the Company and/or continuing to invest in the Company, Shareholders acknowledge that they may be required to provide additional information to the Company, the Manager, the Custodian and/or their agents in order for the Company to comply with AEOI. The Shareholder’s information may be communicated by the IRD to authorities in other jurisdictions. The failure of a Shareholder to provide any requested information, may result in the Company, the Manager and/or the Custodian taking any action and/or pursue remedies at their disposal including, without limitation, compulsory redemption of the Shares held by the Shareholder

concerned. Any such compulsory redemption will be done in accordance with Applicable Law, and the discretion to do so will be exercised by the Manager acting in good faith and on reasonable grounds.

Each Shareholder and investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Company.

**Taxation in overseas jurisdictions :** The Company may make investments in a number of different jurisdictions. Interest, dividends and other income realised by the Company from sources in these jurisdictions, and capital gains realised on the sale of assets may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced and/or in which the issuer is located and/or in which the permanent establishment is located. In particular, Shareholders should pay attention to Mainland China tax considerations that may have exposure to Investments issued in or relating to the Mainland China market. Changes in the Mainland China taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the Investments. Laws governing taxation will continue to change and may contain conflicts and ambiguities, which may adversely affect the Net Asset Value of the Company.

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## RIGHTS OF HOLDERS OF MANAGEMENT SHARES AND SHAREHOLDERS

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### Limited Liability

No Shareholder or holder of Management Shares will be liable for the debts of the Company. A Shareholder or a holder of Management Shares is not liable to make any further payment after its subscription for Shares or Management Shares (as applicable) in the Company in full and no further liability can be imposed upon such holder in respect of the Shares or Management Shares (as applicable).

### Access Rights

This EM is not intended to provide a complete description of the IOI or the agreements with the Manager, the Administrator, the broker and the Custodian summarised herein. Copies of the following documents are available upon request for inspection by a holder of Management Shares/Shareholders and investors during usual business hours on any Business Day at the Manager's office:

- (1) IOI;
- (2) Offering Documents; and
- (3) latest Annual Report, as and when available.

A copy of the IOI (as amended) may be supplied by the Manager upon payment of a reasonable fee.

### Reports

Each Annual Report, in respect of the Financial Year it relates, contains the following: (a) the financial statements, (b) the auditor's report on the financial statements; and (c) certain mandatory information and disclosures as set out in the OFC Code. Each Annual Report (which includes the auditor's report) shall be prepared in English.

All Annual Reports shall be published and shall be provided to each holder of Management Shares/Shareholder in electronic form within a reasonable time after the end of the Financial Year to which they relate, and in any event, within four (4) months of the end of the Financial Year to which they relate. A hard copy of the Annual Report shall be sent to a Shareholder (at such Shareholder's expense) upon such Shareholder's written request. All Annual Reports shall also be filed with the Commission, as required by the OFC Code, within four (4) months of the end of the Financial Year.

Once the Annual Report and interim reports for the Company are issued, Shareholders will be notified within the relevant timeframe. The Annual Reports and interim reports will be prepared in English only and will be posted at [www.cfsg.com.hk](http://www.cfsg.com.hk) and available at the office of the Manager free of charge during normal business hours within four months of the end of each Financial Year and two months after the end of the semi-Financial Year-end, respectively.

At least one month's prior notice will be provided to Shareholders if there will be any change to the mode of distribution of the Annual Report and interim reports described above.

The first Annual Report was prepared for the period beginning on the commencement of the operations of the Company and ending on 31 December 2022.

### General Meetings and Voting Rights

The IOI provides that the Directors may (and the Directors shall at the request in writing of Shareholders holding not less than 10% of the Shares for the time being in issue and entitled to vote) call a general

meeting. If the possibility exists of a conflict of interest between different Classes of Shareholders in relation to any matter to be considered at a general meeting, the Directors must call separate meetings of the Classes, provided that where the interests of 2 or more Classes of Shareholders in relation to the matter to be considered are the same, a combined meeting of such Classes may be called. The quorum for the transaction of business for the passing of a Special Resolution must include a minimum of two Shareholders of 25% of the Shares in issue present in person or by proxy. If only an Ordinary Resolution is to be considered, the quorum must include a minimum of two Shareholders of 10% of the Shares in issue present in person or by proxy. No business other than the appointment of the chairperson of the meeting shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

The Company must, in respect of each Financial Year, hold a general meeting as its annual general meeting within 6 months after the end of its accounting period.

If the Directors are required to call a general meeting, they must call the general meeting in accordance with Part 5 of the OFC Rules.

If the Directors do not call a general meeting in accordance with Rule 74 of the OFC Rules, the holder of the Management Shares/ Shareholders who requested the meeting, or any of the Shareholders representing more than one half of the total voting rights of all of them, may themselves call a general meeting in accordance with Rule 75 of the OFC Rules. Any reasonable expenses incurred by the holder of the Management Shares/Shareholders requesting the meeting by reason of the failure of the Directors' duty to call a meeting must be reimbursed by the Company. Any sum so reimbursed must be retained by the Company out of any sum due or to become due from the Company by way of fees or other remuneration in respect of the services of the Directors who were in default.

Except for matters requiring special notice which requires at least 28 days' prior notice, at least 21 days' prior notice (inclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every general meeting at which a Special Resolution is to be proposed and at least 14 days' prior notice (inclusive of the day on which the notice is served or deemed to be served and of the day of which the notice is given) of every general meeting at which an ordinary resolution is proposed shall be given by the Directors to all Shareholders in accordance to the terms of the IOI. These meetings may be used to sanction any modification, alteration or addition to the terms of the IOI, to approve termination of the Company, impose/increase the Management Fee, Performance Fee, Administration Fee and Custodian Fee or to retire or remove the Directors. An Ordinary Resolution may be passed by a simple majority of the votes. A Special Resolution may only be passed by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting.

Proxies may be appointed. A Shareholder may appoint more than one proxy to attend and vote a prescribed number of its Shares. If a Shareholder appoints more than one proxy, the proxies so appointed are not entitled to vote on the resolution on a show of hands.

A proxy may only validly be appointed by a notice ("**proxy notice**") in writing that—

- (a) states the name and address of the Shareholder appointing the proxy;
- (b) identifies the person appointed to be the proxy of the Shareholder and the general meeting in relation to which that person is appointed;
- (c) is authenticated in such manner as the Directors may reasonably require, or is signed on behalf of the Shareholder appointing the proxy; and
- (d) is delivered to the Company in accordance with the IOI and any instructions contained in the notice of the general meeting in relation to which the proxy is appointed.

The IOI sets out procedures to be followed in respect of meetings of the Shareholders/holder of Management Shares, including provisions as to the giving of notice, appointment of proxies and quorum.

### **Transfer of Shares**

Subject as provided in this EM, Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the Directors, which is executed by or on behalf of both the transferor and the transferee.

The duly stamped instrument of transfer, any necessary declarations, other documents that may be required by the Directors (or by service providers on their behalf) or in consequence of any Applicable Law shall be left with the Administrator for registration. The transferor will be deemed to remain the holder of the Shares transferred until the name of the transferee is entered in the Register in respect of such Shares.

Each instrument of transfer must relate to a single Class only.

The Directors may refuse to enter or cause to be entered the name of a transferee in the Register or recognize a transfer of any Shares upon grounds set out in the IOI, including if the transfer will result in (i) either the transferor or the transferee holding Shares of less than the minimum holding of Shares, or (ii) a contravention of any Applicable Law or the IOI, or would produce a result inconsistent with the provisions of this EM. In such case, the transferor or transferee may request a statement of the reasons for the refusal. The instrument of transfer must be returned to the transferor or transferee who lodged it unless the Directors suspect that the proposed transfer may be fraudulent.

If a Shareholder dies, the Company may only recognize the following person or persons as having any title to a Share of the deceased Shareholder —

- (a) if the deceased Shareholder was a joint Shareholder of the Share, the surviving Shareholder or Shareholders of the Share; and
- (b) if the deceased Shareholder was a sole Shareholder of the Share, the legal personal representative of the deceased Shareholder.

Nothing in this EM or the IOI releases the estate of a deceased Shareholder (whether a sole or a joint Shareholder) from any liability in respect of any Share held by the Shareholder.

A transmittee is entitled to the same dividends and other advantages to which the transmittee would be entitled if the transmittee were the Shareholder of the Share, except that the transmittee is not, before being registered as a Shareholder in respect of the Share, entitled in respect of it to exercise any right conferred by shareholding in relation to meetings of the Company.

If a transmittee produces evidence of entitlement to the Share as the Directors properly require, the transmittee may, subject to the IOI, choose to become the Shareholder of the Share or to have the Share transferred to another person. The Directors may at any time give notice requiring a transmittee to choose to become the Shareholder of the Share or to have the Share transferred to another person.

If a transmittee chooses to become the Shareholder of a Share, the transmittee must notify the Company in writing of the choice. Within 2 months after receiving the notice, the Directors must—(a) register the transmittee as the Shareholder of the Share; or (b) send the transmittee a notice of refusal of registration. If the Directors refuse registration, the transmittee may request a statement of the reasons for the refusal. If a request is made, the Directors must, within 28 days after receiving the request— (a) send the transmittee a statement of the reasons for the refusal; or (b) register the transmittee as the Shareholder of the Share.

If the transmittee chooses to have the Share transferred to another person, the transmittee must execute an instrument of transfer in respect of it.

All the limitations, restrictions and other provisions of the IOI relating to the right to transfer and the registration of transfer of Shares apply in accordance with the IOI, as if the transmission had not occurred and the transfer were a transfer made by the Shareholder of the Share before the transmission.

If a notice is given to a Shareholder in respect of shares and a transmittee is entitled to those Shares, the transmittee is bound by the notice if it was given to the Shareholder before the transmittee's name has been entered in the Register.

### **Register of holders of Management Shares and Shareholders**

The Directors shall provide for the keeping of the Register in such place as the Directors may determine and for such purpose may appoint any person to maintain the Register on such terms (including as to remuneration) as the Directors may from time to time determine. Such person as may be appointed shall be obligated to enter or procure the entry on the Register of all particulars of the holders of Management Shares/Shareholders and their shareholdings in the Company as may be required by Applicable Law and the IOI. The Company may, with the consent of the Directors, appoint any other person to assist in the performance of part or all of its functions.

A holder of Management Shares/Shareholder is entitled, on request and without charge (a) to inspect entries in the Register relating to the holder of Management Shares/Shareholder during normal business hours; and (b) to be provided with a copy of the entries.

Each of the Custodian, the Manager the Commission and/or any public body or public officer that needs to inspect the register in order to properly perform the body's or officer's functions are entitled, on request and without charge, to inspect the Register during normal business hours and to be provided with a copy of such part(s) of the Register on request without charge.

The Register may be closed at such times and for such periods as the Directors may determine, provided that it shall not be closed for more than 30 days in any one year and reasonable prior notice, as stated in the Offering Documents, shall be provided to the holder of Management Shares/Shareholders in respect of such closure.

If a person is entitled to be provided with a copy of the whole or any part of any company records of the Company upon request under the IOI or the Applicable Law, the Company must, within 10 Business Days after the date of receipt of the request, provide the copy to the person.

### **Notifications to Shareholders**

Communications with Shareholders may be effected by mail. Notice to Shareholders will also be published on [www.cfsg.com.hk](http://www.cfsg.com.hk). Shareholders should regularly visit the website, or request that their representatives do so on their behalf, to ensure that they obtain such information on a timely basis.

The following information will be available at [www.cfsg.com.hk](http://www.cfsg.com.hk)

- the latest Net Asset Value of each Class;
- the past performance information of other Classes offered to Hong Kong investors;
- the composition of dividends (if any) (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital for the last 12 months);
- information on the intermediaries of the Company;
- this EM, including the PKFS (as revised from time to time);

- the Dealing Days;
- the latest Annual Report and interim reports of the Company;
- any announcements or notices made by the Company, the suspension and resumption of subscription and redemption of Shares, the suspension of the calculation of the NAV, changes in fees, and notices relating to material alterations or additions to this EM or the IOI; and
- the ongoing charges figure and the past performance information.

#### **Forfeiture of Unclaimed Proceeds or Distributions**

After 6 years from the date on which the Company is due to pay any distributions to a Shareholder for which the Shareholder has failed to claim such distributions during the period, the Shareholder will not be entitled to make a claim for such distribution and such distribution will not be regarded as an indebtedness owing by the Company to the Shareholder.

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## GENERAL INFORMATION

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### Anti-Money Laundering Regulations

In order to comply with regulations aimed at the prevention of money laundering, the Company and/or the Administrator will require verification of identity from all investors.

The Company and the Administrator each reserves the right to request such information as is necessary to verify the identity of an investor. The Company and the Administrator also each reserves the right to request such identification evidence in respect of a transferee of Shares. In the event of delay or failure by the investor or transferee to produce any information required for verification purposes, the Company or the Administrator may refuse to accept the subscription or to register the relevant transfer and (in the case of a subscription of Shares) any funds received will be returned without interest to the account from which the monies were originally debited at the expense of the investor.

The Company and the Administrator also each reserves the right to refuse to make any redemption or dividend payment to a Shareholder if any of the Directors or the Administrator suspects or is advised that the payment of any redemption proceeds to such Shareholder might result in a breach or violation of any applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or such refusal is considered necessary or appropriate to ensure compliance by the Company, its Directors or the Administrator with any such laws or regulations in any relevant jurisdiction.

### Personal data

Investors should be aware that, in making an investment in the Company, and interacting with the Company, its connected persons and/or delegates by:

- (a) submitting the Subscription Agreement,
- (b) communicating through telephone calls, written correspondence and emails (all of which may be recorded); or
- (c) providing personal data concerning individuals connected with the investor (such as directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners and/or agents),

they will be providing the Company, its connected persons and/or delegates with personal data. Investors should note that personal data must be supplied in support of its subscription for Shares in the Company. Certain personal data must also be supplied to process its redemption of Shares out of the Company. If the required personal data is not provided, an investor will not be able to invest or continue to invest in the Company.

The Company's use of personal data is governed by the Hong Kong Personal Data (Privacy) Ordinance ("PDPO") in respect of Hong Kong data subjects. Under the PDPO, individual data subjects have rights and the Company as data controller has obligations with respect to the processing of personal data by the Company, its connected persons and delegates, for example, the Administrator. Breach of the PDPO could lead to enforcement action.

A data privacy notice ("DPN") has been prepared detailing how the Company will collect personal data, where it collects it from, and the purposes for which the personal data is used. This DPN explains what rights are given to individuals, how long personal data will be retained, who it will be shared with, the purposes of the processing, whether personal data is transferred outside of Hong Kong, and relevant contacts. The DPN is included in the Subscription Agreement. All investors should read the DPN carefully before sharing any personal data as outlined in paragraphs (a), (b) and (c) above.

If you are an individual investor, the processing of personal data by and on behalf of the Company is directly relevant to you. If you are an institutional investor that provides personal data on individuals connected to you for any reason in relation to investment into the Company (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), this will be relevant for those individuals. The Shareholder should transmit the privacy notice to such individuals or otherwise advise them of its content.

### **Anti-Bribery**

The Manager and its connected persons have established policies and procedures to comply with applicable anti-corruption regulations in each jurisdiction in which they operate including, without limitation, the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong). The application of such regulations is also a consideration for the Manager in identifying Investments.

### **The Indemnity**

The provisions of and so far as may be consistent with the Applicable Law, every Director may be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by the Director in the execution and/or discharge of the Director's duties and/or the exercise of the Director's powers and/or otherwise in relation to or in connection with the Director's duties, powers or office. This only applies if the indemnity does not cover:

- (a) any liability of the Director to pay:
  - (i) a fine imposed in criminal proceedings; or
  - (ii) a sum payable by way of a penalty in respect of non-compliance with any requirement of a regulatory nature; or
- (b) any liability incurred by the Director:
  - (i) in defending criminal proceedings in which the Director is convicted;
  - (ii) in defending civil proceedings brought by the Company in which judgment is given against the Director;
  - (iii) in defending civil proceedings brought on behalf of the Company by a holder of Management Shares/ Shareholder in which judgment is given against the Director;
  - (iv) in connection with an application for relief under any laws in which the court refuses to grant the Director relief; or
  - (v) to the Company in connection with any negligence, default, breach of duty or breach of trust in relation to the Company.

A Director shall use all reasonable efforts to first seek indemnification payment from other sources, including payments on applicable insurance policies, which payments shall reduce (or, where appropriate, require a return of) indemnification payments to which the relevant person would be entitled to receive from the Company.

### **Winding up of the Company**

The rights of the Shareholders to participate in the winding up of the Company shall be proportionate to the proportionate interests in the Company represented by the Shares which they hold.

If the Company is wound up and a surplus remains after the payment of debts proved in the winding up, the liquidator:

- (a) may, with the required sanction of a Special Resolution of the Company or the Shareholders and any other sanction required by Applicable Law, first, to the Management Shareholders, an amount equal to the consideration for the Management Shares to be paid out of the Scheme Properties, thereafter, the remaining amount to be divided amongst the Shareholders the whole or any part of the Scheme Properties (whether they consist of property of the same kind or not) and may, for this purpose, set a value the liquidator thinks fair on any property to be so divided; and
- (b) may determine how the division is to be carried out among the Shareholders or different Classes.

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## SUMMARY OF THE IOI

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### Overview of the IOI

The Company is a public open-ended fund company with variable capital that is registered and incorporated under Part IVA of the SFO. The IOI is the constitutive document of the Company which sets out, among others, rules relating to the management of the Company and other matters governing the relationship among the Company, the holders of Management Shares and its Shareholders. All Shareholders and holders of Management Shares are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the IOI. The IOI contains provisions for the indemnification of the Directors, the Custodian and the Manager and their relief from liability in certain circumstances. Shareholders and investors are advised to consult the terms of the IOI. Nothing in the IOI shall exempt either the Custodian, the Directors or the Manager (as the case may be) from any liability to Shareholders imposed under the laws of Hong Kong or breaches of trust through fraud or negligence nor may they be indemnified against such liability by Shareholders or at Shareholders' expense.

### Share Rights

1. The variable share capital of the Company is divided into Management Shares and Shares. The holders of such shares shall have the following rights:

#### 1.1 Rights and Restrictions Attaching to Management Shares

- (a) Every holder of Management Shares shall be entitled to receive notice of and attend, but cannot vote at general meetings, except at its own Class meeting of the Company.
- (b) The holders of Management Shares shall not carry a right to dividends.
- (c) If the Company is wound up and a surplus remains after the payments of debts proved in the winding up, holders of Management Shares will rank only for a return of paid up capital *pari passu* out of the assets of the Company as provided in the IOI but shall confer no other right to participate in the surplus assets of the Company.

#### 1.2 Rights and Restrictions Attaching to the Shares

- (a) Shareholder shall be entitled to receive notice of, attend and speak at general meetings and/or any Class meeting of the Company. The Shareholders' votes will be in proportion to the number of Shares held or to the value of Shares held by the Shareholder in the Company.
- (b) The Shares carry a right to dividends as set out in the IOI.
- (c) The Shares carry a right to share in surplus assets remaining in accordance with the IOI, after the return of the capital paid up on the Management Shares, provided that in a winding-up, the assets available for distribution among the Shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up.
- (d) Unless as otherwise specified in this EM or the relevant addendum or subject to such restrictions as may be more particularly described in this EM or the relevant addendum, Shares are redeemable in accordance with the provision set out in the IOI.
- (e) Subject to any other provisions set out in this EM and relevant addendum, the rights of the Shareholders to participate in the property comprised in the Company on a winding up of the Company shall be proportionate to the proportionate interests in the Company represented by the Shares which they hold.

## **(B) Variation of Class Rights**

1. The IOI provides that, subject to the Applicable Laws, the IOI and the relevant Subscription Agreement, all or any of the share rights or interests applicable to any Class in issue (unless otherwise provided by the terms of issue of those Shares) may (whether or not the Company is being wound up) be varied with the sanction of a resolution passed by a Special Resolution at a meeting of the Shareholders of that Class.

To any such meeting, all the provisions of the IOI as to general meetings shall mutatis mutandis apply, except that the quorum for any such meeting shall be Shareholders holding not less than one-third by Net Asset Value of the issued Shares of the relevant Class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Shareholders who are present shall form a quorum) and that, subject to the terms of issue of the Shares of that Class, every Shareholder of the Class shall on a poll have one vote for each Share held by that Shareholder.

2. Subject to the above, the rights conferred upon the Shareholders shall not be deemed to be varied by:
  - (a) the creation, allotment or issue of further Shares ranking pari passu therewith;
  - (b) the repurchase or redemption of any Shares;
  - (c) the liquidation of the Company and distribution of its Scheme Property;

except any amendment determined by the Directors in their sole discretion as being necessary or desirable for the purpose of (a) clarifying any inaccuracy or ambiguity or reconciling any inconsistency as between or among any provisions of the IOI and this EM with respect to any Class, or (b) deleting or adding any provision required to be deleted or added by any governmental agency or official or in order to comply with any rule, law or regulation applicable to the Company. Any material changes to the Investment Program will be subject to the prior approval of the Commission and notified to the Shareholders by at least one month's prior written notice (or such other notice period as agreed with the Commission).

## **(C) Issue of Shares**

1. Subject to the Applicable Laws, the IOI, this EM and the relevant addendum, the unissued Shares (whether forming part of the original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Directors may reasonably determine.
2. Subject to the Applicable Laws, the IOI, this EM and the relevant addendum, the Company may from time to time issue Shares of different Classes. The rights attaching to each Class of Shares shall be as set out in the Applicable Laws, the IOI, this EM and the relevant addendum. The rights attached to a Class of Shares shall not be varied without the consent of the Shareholders of that Class pursuant to the section "**Variation of Class Rights**" above where the Directors consider that such variation will materially prejudice such Shareholders' rights or interests.

## **Directors' Meetings**

Any Director may call a Directors' meeting by giving notice of the meeting to the Directors.

Notice of a Director's meeting must indicate (a) its proposed date and time; and (b) where it is to take place. Notice of a Directors' meeting must be given to each Director, but need not be in writing. A Director may waive notice of any meeting and any such waiver may be retroactive.

In determining whether Directors are participating in a Directors' meeting, it is irrelevant where a Director is and how they communicate with each other. Without limiting the generality of the foregoing, a meeting of the Directors may be held by means of such electronic or other communication facilities (including without limitation by telephone or video conferencing) which permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting constitute presence in person at such meeting. If all the Directors participating in a Directors' meeting are not in the same place, they may regard the meeting as taking place where the largest group of those Directors participating in the meeting is physically assembled, or, if there is no such group, where the chairperson of the meeting then is.

At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting. The quorum for Directors' meetings may be fixed by a decision of the Directors and unless otherwise fixed it is two. If the total number of Directors for the time being is less than the quorum required for Directors' meetings, the Directors must not take any decision other than a decision to appoint further Directors.

If there is no Director able or willing to act, then any holder of Management Shares/Shareholder may summon a general meeting for the purpose of appointing Directors or a Director. The Directors may appoint a Director to chair their meetings and the person appointed for the time being is known as the chairperson. The Directors may terminate the appointment of the chairperson at any time. If the chairperson is not participating in a Directors' meeting within 10 minutes of the time at which it was to start or is unwilling to chair the meeting, the participating Directors may appoint one of themselves to chair it.

If the number of votes for and against a proposal are equal, the chairperson or other Director chairing the Directors' meeting has a casting vote. However, this does not apply if, in accordance with the IOI, the chairperson or other Director is not to be counted as participating in the decision-making process for quorum or voting purposes.

The Directors must ensure that the Company keeps a written record of the minutes of all proceedings at meetings of its Directors and all resolutions passed by its Directors without a meeting for at least 10 years from the date of the meeting or the date of the passing of the resolution without a meeting.

### **Retirement or Removal of Directors**

A person ceases to be a Director if the person:

- (a) ceases to be a Director or is prohibited from being a Director under Applicable Law or under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32);
- (b) becomes bankrupt or makes any arrangement or composition with the person's creditors generally;
- (c) becomes a mentally incapacitated person;
- (d) resigns from the office of Director by notice in writing of the resignation of not less than 28 days;
- (e) for more than 6 months has been absent without the Directors' permission from Directors' meetings held during that period;
- (f) upon the expiry of any period or notice period stated in an agreement for the provision of services between the Company and the Director or if such agreement is summarily terminated in accordance with its terms; or
- (g) is removed from the office of Director by an Ordinary Resolution.

Special notice in accordance with Applicable Law is required of a resolution to remove a Director or appoint a person in place of a Director so removed at the meeting at which the Director is removed.

A vacancy created by the removal of a Director, if not filled at the meeting at which the Director is removed, may be filled as a casual vacancy and the person appointed in place of a removed Director is to be regarded, for the purpose of determining the time at which that person or any other Director is to retire, as if that person had become Director on the day on which the person removed was last appointed a Director.

In relation to a resolution to remove a Director before the end of the Director's term of office, no Share may, on a poll, carry a greater number of votes than it would carry in relation to the generality of matters to be voted on at a general meeting of the Company.

Notice for such removal of Directors and general meeting at which the Director is removed shall be held in accordance with the procedures set out in the section headed "**Shareholders' Meetings and Voting Rights**".

## **Removal and Retirement of the Custodian, the Manager and the Auditor**

### **The Custodian**

Subject to requisite regulatory approvals (including the Commission's prior approval), the Custodian may retire from office subject to the Company giving at least one month's prior written notice to the Shareholders. A Custodian must retire in the case of (a) below, and must be subject to removal by notice in writing in the case of (b) and (c) below:

- (a) when it ceases to be eligible to be a Custodian or is prohibited from being a Custodian under Applicable Law or when the Commission withdraws its approval of the Custodian;
- (b) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets; or
- (c) when for good and sufficient reason, the Directors state in writing that a change in the Custodian is desirable in the interests of the Shareholders.

The Custodian may not retire except upon the appointment of a new Custodian approved by the Commission.

If the Custodian shall retire or be removed or its appointment shall otherwise terminate, the Company shall appoint another corporation eligible under Applicable Law (including the UT Code) to act as a custodian of an open-ended company which is approved by the Commission to be the Custodian in place of the Custodian so retiring or being removed on or before the expiry of any period of notice of such retirement or removal. The retirement of the Custodian should take effect at the same time as the new Custodian takes up office.

### **The Manager**

The Manager may retire from office by giving at least one month's prior written notice to Shareholders, upon and subject to the appointment of a new manager in accordance with the provisions of the IOI and Applicable Law, subject to requisite regulatory approvals (including the Commission's prior approval).

The Manager must retire in the case of (a) below, and must be subject to removal by notice in writing from the Directors in the case of (b) or (c) below:

- (a) when it ceases to be eligible to be a Manager or is prohibited from being a Manager under Applicable Law or when the Commission withdraws its approval of the Manager;
- (b) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets;

- (c) when for good and sufficient reason, the Directors state in writing that a change in the Manager is desirable in the interests of the Shareholders.

The Manager may not retire except upon the appointment of a new Manager approved by the Commission.

If the Manager shall retire or be removed or its appointment shall otherwise terminate, the Company shall appoint another corporation eligible under Applicable Law to act as the investment manager of an open-ended company which is approved by the Commission to be the Manager in place of the Manager so retiring or being removed on or before the expiry of any period of notice of such retirement or removal.

The Company may further entrust to and confer upon the Manager so appointed any of the relevant powers, duties, discretions, and/or functions exercisable by them as Directors upon such terms and conditions including the right to remuneration payable by the Company and with such powers of delegation and such restrictions as they think fit and collectively with their own powers.

### **The Auditor**

A person who is eligible for appointment as an auditor of the Company in accordance with the Applicable Law, and who is willing to act as an auditor may be appointed to be an Auditor by a decision of the Directors or by Ordinary Resolution, subject to Applicable Law.

A person ceases to be an Auditor if—(a) the term of office expires; (b) the person resigns the office of Auditor by notice in writing; (c) the person ceases to be eligible to be an Auditor or is prohibited from being an Auditor under the Applicable Law; or (d) the person is removed from the office of Auditor by an Ordinary Resolution in accordance with the Applicable Law, in which case special notice in compliance with the Applicable Law must be provided to the Shareholders for the resolution.

### **Amendment to the IOI**

The following proposed changes must be submitted to the Commission for prior approval:

- (a) changes to the Instrument other than changes set out in paragraph (B) below or the changes do not require prior approval from the Commission;
- (b) changes of the Custodian, the Manager and their regulatory status;
- (c)
  - (i) material changes in investment objectives, policies and restrictions (including expansion in the purpose or extent of use of FDIs for investment purposes);
  - (ii) introduction of new fees and charges, or increase in fees and charges payable out of the Scheme Property or by Shareholders (other than an increase within the permitted maximum level as disclosed in the Offering Documents); and
  - (iii) material changes in dealing arrangements, pricing arrangements or distribution policy of the Company; and
- (d) any other changes that may have a material adverse impact on Shareholders' rights and interests (including changes that may limit Shareholders' ability in exercising their rights).

Provisions of the IOI may not be altered or amended unless:

- (A) the alteration has been approved by Shareholders and holders of Management Shares either at a general meeting or at their respective Class meetings by a Special Resolution;
- (B) the Custodian certifies in writing that in its opinion the proposed alteration:

- (i) is necessary to make possible compliance with fiscal or other statutory, regulatory or official requirements;
  - (ii) does not materially prejudice Shareholders' interests, does not to any material extent release the Directors, the Manager, the Custodian or any other person from any liability to Shareholders and does not increase the costs and charges payable from the Scheme Properties; or
  - (iii) is necessary to correct a manifest error;
- (C) the alteration has been granted prior approval by the Commission; or
- (D) the alteration does not require Shareholders' approval nor the Commission's approval and which does not fall within paragraph (b) according to the Applicable Law.

For changes requiring approval from the Commission set out above, the Commission shall determine whether Shareholders should be notified and the period of notice (if any) that should be applied before the changes are to take effect. The Directors and the Manager will submit updated Offering Documents reflecting the changes to the Commission for prior authorization. For changes that does not require approval by the Commission, as set out above, the Company shall provide reasonable prior written notice to Shareholders in respect of any modification, alteration or addition to this Instrument and their effects on existing Shareholders (if any). The Company must give notice in writing to the Commission and submit an updated IOI, together with any updated Offering Documents (clean and marked-up versions) to the Commission within one week from the date of issuance and to the Administrator after the alternation takes effect, the modification, alteration or additional to the IOI.

The Manager should inform Shareholders as soon as reasonably practicable of:

- (a) any material adverse change in the financial conditions or business of the Manager, Custodian and major counterparty of the Company for over-the-counter FDI or securities financing transactions (as applicable) the Company to its awareness; and
- (b) any information concerning the Company which is necessary to enable Shareholders to appraise the position of the Company, in accordance with Applicable Law and the IOI.

No such modification, alteration or addition (whether or not approved by a Special Resolution) shall impose upon any Shareholder any obligation to make any further payment in respect of its Shares or to accept any liability in respect thereof.

### **Termination of the Company (otherwise than by winding up)**

The Company may be terminated by the Directors in the following circumstances:

- (a) 12 months from the date of the first issue of Share or at any date thereafter the NAV is less than HKD10,000,000 or its equivalent in the Base Currency; or
  - (i) if any Applicable Law render it illegal or in the reasonable opinion of the Directors impracticable or inadvisable to continue the Company; or
  - (ii) if the Company ceases to be authorised by the Commission pursuant to the SFO, or if the Commission directs under the SFO or any other competent governmental authority directs that the Company be terminated.

Subject to the Commission's prior approval, the Directors terminating the Company or the Class (as applicable) will give at least one month's prior written notice of termination of the Company or the Class (as applicable) to the Shareholders (such notice having been previously approved by the Commission, if

necessary) containing information necessary to enable Shareholders to make an informed judgement of the proposed merger or termination by the Directors (including the reasons for the termination, the relevant provisions under the IOI that enable such termination, the consequences of the termination and their effects on existing Shareholders, the alternatives available to Shareholders, the estimated costs of the termination and who is expected to bear them). The Directors shall by such notice fix the date at which such termination is to take effect.

With effect on and from the date as at which the Company is to terminate:-

- (a) no Shares of the relevant Class or Classes may be issued or sold by the Company;
- (b) the Manager shall on the instructions of the Directors realise all the Scheme Properties; and
- (c) distributions shall be made to the Shareholders of the relevant Class or Classes in proportion to their respective interests in the Company of all net cash proceeds derived from the realisation of the Scheme Properties and available for the purpose of such distribution, provided that the Custodian shall be entitled to retain out of any monies in its hands as full provision for all costs, charges, expenses, claims and demands reasonably incurred by or on behalf of the Company, Directors, the Manager or the Custodian in connection with or arising out of the termination of the Company.

Any unclaimed proceeds or other monies held by the Custodian in the event of a termination may at the expiration of twelve months from the date upon which the same became payable be paid into court of competent jurisdiction subject to the right of the Custodian to deduct therefrom any expenses it may incur in making such payment.

**May 2024**